

Ords Research Ref.  
Center

Health Insurance  
For The Aged Act

289

39-47

89TH CONGRESS  
1ST SESSION

## H. R. 6675

### IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1965

Mr. MILLS introduced the following bill; which was referred to the Committee on Ways and Means

## A BILL

To provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the Old-Age, Survivors, and Disability Insurance System, to improve the Federal-State public assistance programs, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*
- 2
- 3 That this Act, with the following table of contents, may be

: "Social Security Amendments of 1965".

1—1

Provides that short title of bill may be cited as "Social Security Amendments of 1965."

Information  
Resource  
Center

LAW 13.22

Page

## TABLE OF CONTENTS

## TITLE I—HEALTH INSURANCE FOR THE AGED AND MEDICAL ASSISTANCE

6 SEC. 100. Short title.

## PART 1—HEALTH INSURANCE BENEFITS FOR THE AGED

6 SEC. 101. Entitlement to hospital insurance benefits.

8 SEC. 102. Hospital insurance benefits and supplementary health insurance benefits.

## TITLE XVIII—HEALTH INSURANCE FOR THE AGED

9 SEC. 1801. Prohibition against any Federal interference.

9 SEC. 1802. Free choice by patient guaranteed.

9 SEC. 1803. Option to individuals to obtain other health insurance protection.

## PART A—HOSPITAL INSURANCE BENEFITS FOR THE AGED

10 SEC. 1811. Description of program.

10 SEC. 1812. Scope of benefits.

13 SEC. 1813. Deductibles.

15 SEC. 1814. Conditions of and limitations on payment for services.

15 (a) Requirement of requests and certifications.

19 (b) Reasonable cost of services.

19 (c) No payments to Federal providers of services.

20 (d) Payments for emergency hospital services.

20 (e) Payment for inpatient hospital services prior to notification of noneligibility.

21 SEC. 1815. Payment to providers of services.

22 SEC. 1816. Use of public agencies or private organizations to facilitate payment to providers of services.

26 SEC. 1817. Federal hospital insurance trust fund.

## PART B—SUPPLEMENTARY HEALTH INSURANCE BENEFITS FOR THE AGED

33 SEC. 1831. Establishment of supplementary health insurance program for the aged.

33 SEC. 1832. Scope of benefits.

34 SEC. 1833. Payment of benefits.

36 SEC. 1834. Duration of services.

37 SEC. 1835. Procedure for payment of claims of providers of services.

42 SEC. 1836. Eligible individuals.

42 SEC. 1837. Enrollment periods.

43 SEC. 1838. Coverage period.

44 SEC. 1839. Amounts of premiums.

46 SEC. 1840. Payment of premiums.

49 SEC. 1841. Federal supplementary health insurance benefits trust fund.

53 SEC. 1842. Use of carriers for administration of benefits.

TABLE OF CONTENTS—Continued

	<u>Page</u>
TITLE XVIII—HEALTH INSURANCE FOR THE AGED—Continued	
PART B—SUPPLEMENTARY HEALTH INSURANCE BENEFITS FOR THE AGED—continued	
SEC. 1843. State agreements for coverage of eligible individuals who are receiving money payments under public assistance programs.	58
SEC. 1844. Appropriations to cover Government contributions and contingency reserve.	62
PART C—MISCELLANEOUS PROVISIONS	
SEC. 1861. Definitions of services, institutions, etc.	62
(a) Spell of illness.	63
(b) Inpatient hospital services.	63
(c) Inpatient psychiatric hospital services.	64
(d) Inpatient tuberculosis hospital services.	65
(e) Hospital.	65
(f) Psychiatric hospital.	67
(g) Tuberculosis hospital.	69
(h) Extended care services.	70
(i) Post-hospital extended care services.	71
(j) Extended care facility.	72
(k) Utilization review.	74
(l) Agreements for transfer between extended care facilities and hospitals.	76
(m) Home health services.	77
(n) Post-hospital home health services.	79
(o) Home health agency.	79
(p) Outpatient hospital diagnostic services.	81
(q) Physicians' services.	81
(r) Physician.	82
(s) Medical and other health services.	82
(t) Drugs and biologicals.	83
(u) Provider of services.	83
(v) Reasonable cost.	84
(w) Arrangements for certain services.	87
(x) State and United States.	87
SEC. 1862. Exclusions from coverage.	87
SEC. 1863. Consultation with State agencies and other organizations to develop conditions of participation for providers of services.	89
SEC. 1864. Use of State agencies to determine compliance by providers of services with conditions of participation.	90
SEC. 1865. Effect of accreditation.	91
SEC. 1866. Agreements with providers of services.	92



CMS Library  
C2-07-13  
7500 Security Blvd.  
Baltimore, MD 21244

Page

## TABLE OF CONTENTS—Continued

## TITLE XVIII—HEALTH INSURANCE FOR THE AGED—Continued

## PART C—MISCELLANEOUS PROVISIONS—continued

97	SEC. 1867. Health insurance benefits advisory council.
99	SEC. 1868. National medical review committee.
101	SEC. 1869. Determinations; appeals.
102	SEC. 1870. Overpayments on behalf of individuals.
104	SEC. 1871. Regulations.
104	SEC. 1872. Application of certain provisions of title II.
104	SEC. 1873. Designation of organization or publication by name.
105	SEC. 1874. Administration.
105	SEC. 1875. Studies and recommendations.
107	SEC. 103. Transitional provision on eligibility of presently uninsured individuals for hospital insurance benefits.
110	SEC. 104. Suspension in case of aliens; persons convicted of subversive activities.
111	SEC. 105. Railroad retirement amendments.
114	SEC. 106. Medical expense deduction.
118	SEC. 107. Receipts for employees must show taxes separately.
118	SEC. 108. Technical and administrative amendments relating to trust funds.
121	SEC. 109. Advisory council on social security.
123	SEC. 110. Meaning of term "Secretary".

## PART 2—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

124	SEC. 121. Establishment of programs.
-----	--------------------------------------

## TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

124	SEC. 1901. Appropriation.
125	SEC. 1902. State plans for medical assistance.
136	SEC. 1903. Payment to States.
141	SEC. 1904. Operation of State plans.
142	SEC. 1905. Definitions.
145	SEC. 122. Payment by States of premiums for supplementary health insurance.

## TITLE II—OTHER AMENDMENTS RELATING TO HEALTH CARE

## PART 1—MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN'S SERVICES

146	SEC. 201. Increase in maternal and child health services.
147	SEC. 202. Increase in crippled children's services.
148	SEC. 203. Training of professional personnel for the care of crippled children.
148	SEC. 204. Payment for inpatient hospital services.
149	SEC. 205. Special project grants for health of school and preschool children.
151	SEC. 206. Evaluation and report.

## PART 2—IMPLEMENTATION OF MENTAL RETARDATION PLANNING

152	SEC. 211. Authorization of appropriations.
-----	--



TABLE OF CONTENTS—Continued		<u>Page</u>
TITLE II—OTHER AMENDMENTS RELATING TO HEALTH CARE—Continued		
PART 3—PUBLIC ASSISTANCE AMENDMENTS RELATING TO HEALTH CARE		
SEC. 221.	Removal of limitations on Federal participation in assistance to aged individuals with tuberculosis or mental disease.	153
SEC. 222.	Amendment to definition of medical assistance for the aged.	162
TITLE III—SOCIAL SECURITY AMENDMENTS		
SEC. 300.	Short title.	163
SEC. 301.	Increase in old-age, survivors, and disability insurance benefits.	163
SEC. 302.	Computation and recomputation of benefits.	170
SEC. 303.	Disability insurance benefits.	176
SEC. 304.	Payment of disability insurance benefits after entitlement to other monthly insurance benefits.	183
SEC. 305.	Disability insurance trust fund.	189
SEC. 306.	Payment of child's insurance benefits after attainment of age 18 in case of child attending school.	189
SEC. 307.	Reduced benefits for widows at age 60.	199
SEC. 308.	Wife's and widow's benefits for divorced women.	204
SEC. 309.	Transitional insured status.	216
SEC. 310.	Increase in amount an individual is permitted to earn without suffering full deductions from benefits.	218
SEC. 311.	Coverage for doctors of medicine.	218
SEC. 312.	Gross income of farmers.	221
SEC. 313.	Coverage of tips.	222
SEC. 314.	Inclusion of Alaska and Kentucky among States permitted to divide their retirement systems.	230
SEC. 315.	Additional period for electing coverage under divided retirement system.	231
SEC. 316.	Employees of nonprofit organizations.	231
SEC. 317.	Coverage of temporary employees of the District of Columbia.	235
SEC. 318.	Coverage for certain additional hospital employees in California.	241
SEC. 319.	Tax exemption for religious groups opposed to insurance.	242
SEC. 320.	Increase of earnings counted for benefit and tax purposes.	248
SEC. 321.	Changes in tax schedules.	252
SEC. 322.	Reimbursement of trust funds for cost of noncontributory military service credits.	258
SEC. 323.	Adoption of child by retired worker.	260
SEC. 324.	Extension of period for filing proof of support and applications for lump-sum death payment.	263
SEC. 325.	Treatment of certain royalties for retirement test purposes.	264
SEC. 326.	Amendments preserving relationship between railroad retirement and old-age, survivors, and disability insurance systems.	266
SEC. 327.	Technical amendment relating to meetings of board of trustees of the old-age, survivors, and disability insurance trust funds.	266
TITLE IV—PUBLIC ASSISTANCE AMENDMENTS		
SEC. 401.	Increased Federal payments under public assistance titles of the Social Security Act.	266

Page

## TABLE OF CONTENTS—Continued

## TITLE IV—PUBLIC ASSISTANCE AMENDMENTS—Continued

271	SEC. 402. Protective payments.
274	SEC. 403. Disregarding certain earnings in determining need under assistance programs for the aged.
275	SEC. 404. Administrative and judicial review of public assistance determinations.
278	SEC. 405. Maintenance of State public assistance expenditures.
281	SEC. 406. Disregarding OASDI benefit increase, and child's insurance benefit payments beyond age 18, to the extent attributable to retroactive effective date.
282	SEC. 407. Extension of grace period for disregarding certain income for States where legislature has not met in regular session.
282	SEC. 408. Technical amendments to eliminate public assistance provisions which become obsolete in 1967.

## 1 TITLE I—HEALTH INSURANCE FOR THE AGED

## 2 AND MEDICAL ASSISTANCE

## 3 SHORT TITLE

4	SEC. 100. This title may be cited as the "Health Insurance for the Aged Act".
---	---

## 6 PART 1—HEALTH INSURANCE BENEFITS FOR THE AGED

## 7 ENTITLEMENT TO HOSPITAL INSURANCE

## 8 BENEFITS

9	SEC. 101. Title II of the Social Security Act is amended
10	by adding at the end thereof the following new section:

## 11 "ENTITLEMENT TO HOSPITAL INSURANCE BENEFITS

## 12 "SEC. 226. (a) Every individual who—

13 " (1) has attained the age of 65, and

14 " (2) is entitled to monthly insurance benefits under  
 15 section 202 or is a qualified railroad retirement bene-  
 16 ficiary,

Name of title I of bill "Health Insurance for the Aged Act"

Amends title II by adding new section 226 "Entitlement to Hospital Insurance Benefits"

Provides that any person 65 and over who is entitled to OASI benefits or is a qualified railroad retirement beneficiary will be entitled to hospital insurance benefits under part A, beginning July 1966.

1 shall be entitled to hospital insurance benefits under part A  
 2 of title XVIII for each month for which he meets the con-  
 3 dition specified in paragraph (2), beginning with the first  
 4 month after June 1966 for which he meets the conditions  
 5 specified in paragraphs (1) and (2).

6 “(b) For purposes of subsection (a) —

7 “(1) entitlement of an individual to hospital insur-  
 8 ance benefits for a month shall consist of entitlement to  
 9 have payment made under, and subject to the limitations  
 10 in, part A of title XVIII on his behalf for inpatient hos-  
 11 pital services, post-hospital extended care services, post-  
 12 hospital home health services, and outpatient hospital  
 13 diagnostic services (as such terms are defined in part C  
 14 of title XVIII) furnished him in the United States dur-  
 15 ing such month; except that (A) no such payment may  
 16 be made for post-hospital extended care services fur-  
 17 nished before January 1967, and (B) no such payment  
 18 may be made for post-hospital extended care services or  
 19 post-hospital home health services unless the discharge  
 20 from the hospital required to qualify such services for  
 21 payment under part A of title XVIII occurred after  
 22 June 30, 1966, or on or after the first day of the month  
 23 in which he attains age 65, whichever is later; and

24 “(2) an individual shall be deemed entitled to  
 25 monthly insurance benefits under section 202, or to be

Payment will be made for inpatient hospital services, post-hospital extended care services, post-hospital home health services and outpatient hospital diagnostic services only if furnished in the United States. Payment for post-hospital extended care services would not begin until 1/1/67. Payment for post-hospital extended care or home health services made only if individual is discharged from hospital after 6/30/66, or on or after first day of month of attainment of age 65, whichever is later.

Individual entitled to hospital insurance benefits for month in which he dies.

1 a qualified railroad retirement beneficiary, for the month  
 2 in which he died if he would have been entitled to  
 3 such benefits, or would have been a qualified railroad  
 4 retirement beneficiary, for such month had he died in  
 5 the next month.

"Qualified railroad retirement beneficiary" means individual certified by the Railroad Retirement Board under section 21 of Railroad Retirement Act of 1937.

6 "(c) For purposes of this section, the term 'qual-  
 7 ified railroad retirement beneficiary' means an individual  
 8 whose name has been certified to the Secretary by the  
 9 Railroad Retirement Board under section 21 of the Railroad  
 10 Retirement Act of 1937. An individual shall cease to be a  
 11 qualified railroad retirement beneficiary at the close of the  
 12 month preceding the month which is certified by the Rail-  
 13 road Retirement Board as the month in which he ceased to  
 14 meet the requirements of section 21 of the Railroad Retirement  
 15 Act of 1937.

See section 103 for entitlement to hospital insurance benefits of certain uninsured individuals.

16 "(d) For entitlement to hospital insurance benefits in  
 17 the case of certain uninsured individuals, see section 103  
 18 of the Social Security Amendments of 1965."

19 HOSPITAL INSURANCE BENEFITS AND SUPPLEMENTARY

20 HEALTH INSURANCE BENEFITS

Adds new title XVIII to the Social Security Act.

21 SEC. 102. (a) The Social Security Act is amended by  
 22 adding after title XVII the following new title:



1 "TITLE XVIII—HEALTH INSURANCE FOR THE  
2 AGED

3 "PROHIBITION AGAINST ANY FEDERAL INTERFERENCE

4 "SEC. 1801. Nothing in this title shall be construed to  
5 authorize any Federal officer or employee to exercise any  
6 supervision or control over the practice of medicine or the  
7 manner in which medical services are provided, or over the  
8 selection, tenure, or compensation of any officer or employee  
9 of any institution, agency, or person providing health serv-  
10 ices; or to exercise any supervision or control over the  
11 administration or operation of any such institution, agency,  
12 or person.

Specifies that title XVIII gives no authority to exercise any supervision or control over practice of medicine or over operation or administration of medical facilities.

13 "FREE CHOICE BY PATIENT GUARANTEED

14 "SEC. 1802. Any individual entitled to insurance bene-  
15 fits under this title may obtain health services from any in-  
16 stitution, agency, or person qualified to participate under this  
17 title if such institution, agency, or person undertakes to pro-  
18 vide him such services.

Provides that beneficiary may choose any participating institution, agency or person which offers services to him.

19 "OPTION TO INDIVIDUALS TO OBTAIN OTHER HEALTH  
20 INSURANCE PROTECTION

21 "SEC. 1803. Nothing contained in this title shall be  
22 construed to preclude any State from providing, or any in-

Title XVIII shall not preclude any State from providing (or any person from obtaining) protection against health costs.



1   dividual from purchasing or otherwise securing, protection  
2   against the cost of any health services.

3           "PART A—HOSPITAL INSURANCE BENEFITS  
4                               FOR THE AGED

5                               "DESCRIPTION OF PROGRAM

Describes insurance program under part A as providing basic protection against costs of hospital and related post-hospital services for people 65 or over who are entitled to retirement benefits under title II or under the railroad retirement system.

6           "SEC. 1811. The insurance program for which entitle-  
7   ment is established by section 226 provides basic protection  
8   against the costs of hospital and related post-hospital services  
9   in accordance with this part for individuals who are age 65  
10   or over and are entitled to retirement benefits under title II  
11   of this Act or under the railroad retirement system.

12                               "SCOPE OF BENEFITS

Benefits consist of entitlement for payment for: (1) inpatient hospital services for up to 60 days during spell of illness; (2) post-hospital extended care services for up to 20 days during spell of illness (or 100 days in certain circumstances); (3) post-hospital home health services for up to 100 visits; and (4) outpatient hospital diagnostic services.

13           "SEC. 1812. (a) The benefits provided to an individual  
14   by the insurance program under this part shall consist of en-  
15   titlement to have payment made on his behalf (subject to the  
16   provisions of this part) for—

17                       "(1) inpatient hospital services for up to 60 days  
18                       during any spell of illness;

19                       "(2) post-hospital extended care services for up to  
20                       20 days (or up to 100 days in certain circumstances)  
21                       during any spell of illness;

22                       "(3) post-hospital home health services for up to  
23                       100 visits (during the one-year period described in sec-  
24                       tion 1861 (n) ) after the beginning of one spell of illness  
25                       and before the beginning of the next; and

1           “(4) outpatient hospital diagnostic services.

2           “(b) Payment under this part for services furnished an  
3 individual during a spell of illness may not (subject to  
4 subsections (c) and (d) ) be made for—

5           “(1) inpatient hospital services furnished to him  
6 during such spell after such services have been furnished  
7 to him for 60 days during such spell; or

8           “(2) post-hospital extended care services furnished  
9 to him during such spell after such services have been  
10 furnished to him for 20 days during such spell.

11           “(c) The 20 days provided by subsection (b) (2) shall  
12 be increased (but by not more than 80 days) by twice the  
13 number by which the days for which the individual has  
14 already been furnished inpatient hospital services in the spell  
15 of illness are less than 60. The individual may terminate the  
16 application of this subsection with respect to any day (and  
17 the remaining days in the spell of illness) by an election  
18 made at such time and in such manner as may be prescribed  
19 by regulations. If the number of days of post-hospital ex-  
20 tended care services in the spell of illness has been increased  
21 pursuant to this subsection, a corresponding reduction (on  
22 the basis of one day of inpatient hospital services for each  
23 two days of post-hospital extended care services in excess of  
24 20 plus, where the number of such days of post-hospital  
25 extended care services is an odd number, one day of inpatient

Provides maximum of 60 days of inpatient hospital services and 20 days of post-hospital extended care services for which payment may be made during a spell of illness.

However, at an individual's option the number of days for which payment can be made for post-hospital extended care services can be increased beyond 20 (but by no more than 80) by two additional days of care for each day his hospital stay in a spell of illness is less than 60 days. Number of days of inpatient hospital care for which payment could be made would be reduced by one day for every two days of extended care above 20 for which payment is made.

If individual is in a T.J. hospital on 1st day of 1st month for which he is entitled to benefits under part A, the days in 60-day period preceding that 1st day will be counted toward the 60-day maximum.

Payment under part A for home health services limited to first 100 visits during the one year period following most recent hospital discharge.

Days of inpatient hospital services, post-hospital extended care services, and post-hospital home health services counted toward maximums only if payment is or would be made if individual requested it.

1 hospital services) shall be made in the number of days allow-  
2 able under subsection (b) (1) for the same spell of illness.

3 “(d) If an individual is an inpatient of a tuberculosis  
4 hospital on the first day of the first month for which he is  
5 entitled to benefits under this part, the days on which he  
6 was an inpatient of such a hospital in the 60-day period im-  
7 mediately before such first day shall be included in deter-  
8 mining the 60-day limit under subsection (b) (1).

9 “(e) Payment under this part may be made for post-  
10 hospital home health services furnished an individual only  
11 during the one-year period described in section 1861 (n)  
12 following his most recent hospital discharge which meets the  
13 requirements of such section, and only for the first 100 visits  
14 in such period. The number of visits to be charged for pur-  
15 poses of the limitation in the preceding sentence, in connec-  
16 tion with items or services described in section 1861 (m),  
17 shall be determined in accordance with regulations.

18 “(f) For purposes of subsections (b), (c), (d), and (e),  
19 inpatient hospital services, post-hospital extended care serv-  
20 ices, and post-hospital home health services shall be taken into  
21 account only if payment is or would be, except for this sec-  
22 tion or the failure to comply with the request and certification  
23 requirements of or under section 1814 (a), made with  
24 respect to such services under this part.

25 “(g) For definition of ‘spell of illness’, and for defini-  
26 tions of other terms used in this part, see section 1861.

1 "DEDUCTIBLES

2 "SEC. 1813. (a) (1) Payment for inpatient hospital  
3 services furnished an individual during any spell of illness  
4 shall be reduced by a deduction equal to the inpatient hospital  
5 deductible; except that such deductible shall itself be reduced  
6 by any deduction imposed under paragraph (2) with respect  
7 to a diagnostic study by the same hospital which began  
8 before but did not end more than 20 days before the first day  
9 of such spell of illness or, if less, the charges imposed with  
10 respect to the individual for the outpatient hospital diagnostic  
11 services provided during such study.

Provides for inpatient hospital deductible applied once in a spell of illness. (The amount of the deductible determined below.) Deductible on diagnostic study may be applied toward inpatient hospital deductible if the study was done by the same hospital within 20-day period before admission as an inpatient.

12 "(2) Payment for outpatient hospital diagnostic services  
13 furnished an individual during a diagnostic study shall be  
14 reduced by a deduction equal to one-half of the inpatient  
15 hospital deductible which is applicable to spells of illness  
16 beginning in the same calendar year as such diagnostic study.  
17 For purposes of the preceding sentence and paragraph (1),  
18 a diagnostic study for any individual consists of the out-  
19 patient hospital diagnostic services provided by (or under  
20 arrangements made by) the same hospital during the 20-day  
21 period beginning on the first day (not included in a previous  
22 diagnostic study) on which he is entitled to hospital insur-  
23 ance benefits under section 226 and on which outpatient  
24 hospital diagnostic services are furnished him.

Provides for a deductible equal to one-half of deductible for inpatient hospital services, on outpatient hospital diagnostic services.

"Diagnostic study" defined as outpatient hospital diagnostic services provided by same hospital during 20-day period beginning on first day (not included in previous diagnostic study) such services are furnished to eligible individual.

25 "(3) Payment to any provider of services under this

Provides that payment cannot be made for cost of first 3 pints of whole blood furnished an individual during a spell of illness.



1 part for services furnished an individual during any spell of  
 2 illness shall be further reduced by an amount equal to the  
 3 cost of the first three pints of whole blood furnished to him as  
 4 part of such services during such spell of illness.

5 “(b) (1) The inpatient hospital deductible which shall  
 6 be applicable for the purposes of subsection (a) shall be \$40  
 7 in the case of any spell of illness or diagnostic study begin-  
 8 ning before 1969.

9 “(2) The Secretary shall, between July 1 and October  
 10 1 of 1968, and of each year thereafter, determine and promul-  
 11 gate the inpatient hospital deductible which shall be appli-  
 12 cable for the purposes of subsection (a) in the case of any  
 13 spell of illness or diagnostic study beginning during the suc-  
 14 ceeding calendar year. Such inpatient hospital deductible  
 15 shall be equal to \$40 multiplied by the ratio of (A) the cur-  
 16 rent average per diem rate for inpatient hospital services for  
 17 the calendar year preceding the promulgation, to (B) the  
 18 current average per diem rate for such services for 1966.  
 19 Any amount determined under the preceding sentence which  
 20 is not a multiple of \$5 shall be rounded to the nearest multiple  
 21 of \$5 (or, if it is midway between two multiples of \$5, to the  
 22 next higher multiple of \$5). The current average per diem  
 23 rate for any year shall be determined by the Secretary on the  
 24 basis of the best information available to him (at the time the  
 25 determination is made) as to the amounts paid under this part

Provides that inpatient hospital deductible will be \$40 for any spell of illness, and \$20 for any diagnostic study, beginning before 1969.

Provides that Secretary will, between July 1 and October 1 of 1968, and for each year thereafter, determine the inpatient hospital deductible to be applicable during the following calendar year. This deductible will equal \$40 multiplied by the ratio of (A) the current average per diem rate for inpatient hospital services for the preceding year, to (B) the current average per diem rate for 1966. If the amount so determined is not a multiple of \$5, it will be rounded to the nearest multiple of \$5.

Current average per diem rate for any year will be determined by the Secretary on the basis of best information available about amounts paid under part A for inpatient hospital services (plus the amounts that would have been paid but for deductibles).



1 on account of inpatient hospital services furnished during such  
 2 year, by hospitals which have agreements in effect under  
 3 section 1866, to individuals who are entitled to hospital in-  
 4 surance benefits under section 226, plus the amount which  
 5 would have been so paid but for subsection (a) (1) of this  
 6 section.

7 "CONDITIONS OF AND LIMITATIONS ON PAYMENT FOR  
 8 SERVICES

9 "Requirement of Requests and Certifications

10 "SEC. 1814. (a) Except as provided in subsection (d), Payment for covered services  
 11 payment for services furnished an individual may be made made only if --  
 12 only to providers of services which are eligible therefor under  
 13 section 1866 and only if--

14 "(1) written request, signed by such individual (1) written request (signed by  
 15 except in cases in which the Secretary finds it impractic- beneficiary or by another person  
 16 cable for the individual to do so, is filed for such payment when it is impractical for him  
 17 in such form, in such manner, within such time, and by to do so) is filed, and  
 18 such person or persons as the Secretary may by regula-  
 19 tion prescribe;

20 "(2) a physician certifies (and recertifies, where (2) a physician certifies (and  
 21 such services are furnished over a period of time, in such recertifies where services  
 22 cases, with such frequency, and accompanied by such furnished over a period of time, but  
 23 supporting material, appropriate to the case involved, before 21st day of inpatient  
 24 as may be provided by regulations, except that the first hospital services) that:  
 25 of such recertifications shall be required in each case of

1 inpatient hospital services not later than the 20th day of  
2 such period) that—

(A) inpatient hospital services  
(other than inpatient T.B.  
hospital services) were required  
on an inpatient basis for  
medical treatment or inpatient  
diagnostic study;

3 “(A) in the case of inpatient hospital services  
4 (other than inpatient tuberculosis hospital services),  
5 such services are or were required to be given on  
6 an inpatient basis for such individual's medical treat-  
7 ment, or that inpatient diagnostic study is or was  
8 medically required and such services are or were  
9 necessary for such purpose;

(B) inpatient T.B. hospital  
services were required on an  
inpatient basis for treatment  
of T.B., and the treatment can  
be expected to improve the  
condition or render it non-  
communicable;

10 “(B) in the case of inpatient tuberculosis hos-  
11 pital services, such services are or were required to  
12 be given on an inpatient basis, by or under the  
13 supervision of a physician, for the treatment of an  
14 individual for tuberculosis; and such treatment can  
15 or could reasonably be expected to (i) improve the  
16 condition for which such treatment is or was neces-  
17 sary or (ii) render the condition noncommunicable;

(C) post-hospital extended  
care services were required  
on an inpatient basis be-  
cause beneficiary needed  
continuous skilled nursing  
care for a condition for which  
hospitalized prior to transfer,  
or which arose while receiving  
such care;

18 “(C) in the case of post-hospital extended care  
19 services, such services are or were required to be  
20 given on an inpatient basis because the individual  
21 needs or needed skilled nursing care on a con-  
22 tinuing basis for any of the conditions with respect  
23 to which he was receiving inpatient hospital services  
24 (or services which would constitute inpatient hos-  
25 pital services if the institution met the requirements

1 of paragraphs (6) and (8) of section 1861 (e) )  
 2 prior to transfer to the extended care facility  
 3 or for a condition requiring such extended care serv-  
 4 ices which arose after such transfer and while he was  
 5 still in the facility for treatment of the condition or  
 6 conditions for which he was receiving such inpatient  
 7 hospital services;

8 “(D) in the case of post-hospital home health  
 9 services, such services are or were required because  
 10 the individual is or was confined to his home (ex-  
 11 cept when receiving items and services referred to  
 12 in section 1861 (m) (7) ) and needed skilled nursing  
 13 care on an intermittent basis, or physical or speech  
 14 therapy, for any of the conditions with respect to  
 15 which he was receiving inpatient hospital services  
 16 (or services which would constitute inpatient hos-  
 17 pital services if the institution met the requirements  
 18 of paragraphs (6) and (8) of section 1861 (e) )  
 19 or post-hospital extended care services; a plan for  
 20 furnishing such services to such individual has been  
 21 established and is periodically reviewed by a physi-  
 22 cian; and such services are or were furnished while  
 23 the individual was under the care of a physician; or

(D) post-hospital home health services were required because beneficiary was confined to his home (with certain exceptions) and needed intermittent skilled nursing care, or physical or speech therapy for any condition for which he was receiving inpatient hospital or extended care services, and that services were performed under a plan established and periodically reviewed by a physician; or

24 “(E) in the case of outpatient hospital diag-

(E) outpatient hospital diagnostic services were required for diagnostic study.

Payment made for inpatient T.B. hospital services only if services are those which hospital's records show were furnished while individual was receiving treatment which could be expected to improve his condition or render it noncommunicable.

Payment not made for inpatient hospital services furnished after 20th day of continuous stay or for post-hospital extended care services furnished after prescribed period of time unless hospital or extended care facility making timely utilization review of long stay cases.

If a finding is made, in course of utilization review, that inpatient hospital services or post-hospital extended care furnished during a continuous period are not medically necessary, payment would not be made after third day after day notice of such finding is received by hospital or extended care facility.

nostic services, such services are or were required for diagnostic study;

"(3) in the case of inpatient tuberculosis hospital services, the services are those which the records of the hospital indicate were furnished to the individual during periods when he was receiving treatment which could reasonably be expected to (A) improve his condition or (B) render it noncommunicable;

"(4) with respect to inpatient hospital services furnished such individual after the 20th day of a continuous period of such services and with respect to post-hospital extended care services furnished after such day of a continuous period of such services as may be prescribed in or pursuant to regulations, there was not in effect, at the time of admission of such individual to the hospital or extended care facility, as the case may be, a decision under section 1866 (d) (based on a finding that utilization review of long-stay cases is not being made in such hospital or facility) ; and

"(5) with respect to inpatient hospital services or post-hospital extended care services furnished such individual during a continuous period, a finding has not been made (by the physician members of the committee or group, as described in section 1861 (k) (4) ) pursuant to the system of utilization review that further inpatient



1 hospital services or further post-hospital extended care  
 2 services, as the case may be, are not medically necessary;  
 3 except that, if such a finding has been made, payment  
 4 may be made for such services furnished before the 4th  
 5 day after the day on which the hospital or extended care  
 6 facility, as the case may be, received notice of such  
 7 finding.

8 To the extent provided by regulations, the certification and  
 9 recertification requirements of paragraph (2) shall be  
 10 deemed satisfied where, at a later date, a physician makes  
 11 certification of the kind provided in subparagraph (A),  
 12 (B), (C), (D), or (E) of paragraph (2) (whichever  
 13 would have applied), but only where such certification is  
 14 accompanied by such medical and other evidence as may be  
 15 required by such regulations.

To extent provided by regulations, certification and recertification requirements deemed satisfied where at a date later than day certifications are required under (2) above, physician makes required certification, if it is accompanied by such medical or other evidence as may be required.

16 "Reasonable Cost of Services

17 "(b) The amount paid to any provider of services with  
 18 respect to services for which payment may be made under  
 19 this part shall be the reasonable cost of such services, as  
 20 determined under section 1861(v).

Provides that amount to be paid any provider of services under part A will be the reasonable cost of services (as determined under section 1861(v)).

21 "No Payments to Federal Providers of Services

22 "(c) No payment may be made under this part (except  
 23 under subsection (d)) to any Federal provider of services,  
 24 except a provider of services which the Secretary determines  
 25 is providing services to the public generally as a community

No payment made under part A to Federal provider, except for emergency services, unless it serves as a community hospital. Payment cannot be made to any provider for services it is obligated to render at public expense under Federal law or contract.



1 institution or agency; and no such payment may be made  
 2 to any provider of services for any item or service which  
 3 such provider is obligated by a law of, or a contract with,  
 4 the United States to render at public expense.

5 "Payments for Emergency Hospital Services

6 "(d) Payments shall also be made to any hospital for  
 7 inpatient hospital services or outpatient hospital diagnostic  
 8 services furnished, by the hospital or under arrangements  
 9 (as defined in section 1861 (w)) with it, to an individual  
 10 entitled to hospital insurance benefits under section 226 even  
 11 though such hospital does not have an agreement in effect  
 12 under this title if (A) such services were emergency serv-  
 13 ices and (B) the Secretary would be required to make such  
 14 payment if the hospital had such an agreement in effect and  
 15 otherwise met the conditions of payment hereunder. Such  
 16 payments shall be made only in the amounts provided  
 17 under subsection (b) and then only if such hospital agrees  
 18 to comply, with respect to the emergency services provided,  
 19 with the provisions of section 1866 (a).

20 "Payment for Inpatient Hospital Services Prior to Notifica-  
 21 tion of Noneligibility

22 "(e) Notwithstanding that an individual is not entitled  
 23 to have payment made under this part for inpatient hospital  
 24 services furnished by any hospital, payment shall be made to  
 25 such hospital (unless it elects not to receive such payment

Payment may be made for emergency inpatient hospital services or outpatient hospital diagnostic services in the absence of an agreement if hospital agrees not to charge beneficiary for covered services.

If hospital acted reasonably in assuming individual was entitled to payment for inpatient hospital services, the hospital can get payment for services furnished prior to certification from the Secretary that individual is

1 or, if payment has already been made by or on behalf of such  
 2 individual, fails to refund such payment within the time  
 3 specified by the Secretary) for such services which are  
 4 furnished to the individual prior to notification to such  
 5 hospital from the Secretary of his lack of entitlement, if  
 6 such payments are precluded only by reason of section  
 7 1812 and if such hospital complies with the requirements  
 8 of and regulations under this title with respect to such  
 9 payments, has acted in good faith and without knowledge of  
 10 such lack of entitlement, and has acted reasonably in assum-  
 11 ing entitlement existed. Payment under the preceding  
 12 sentence may not be made for services furnished an indi-  
 13 vidual pursuant to any admission after the 6th elapsed  
 14 day (not including as an elapsed day Saturday, Sunday, or a  
 15 legal holiday) after the day on which such admission oc-  
 16 curred.

17 "PAYMENT TO PROVIDERS OF SERVICES

18 "SEC. 1815. The Secretary shall periodically determine  
 19 the amount which should be paid under this part to each pro-  
 20 vider of services with respect to the services furnished by  
 21 it, and the provider of services shall be paid, at such time  
 22 or times as the Secretary believes appropriate (but not less  
 23 often than monthly) and prior to audit or settlement by the  
 24 General Accounting Office, from the Federal Hospital Insur-  
 25 ance Trust Fund, the amounts so determined, with necessary

not entitled because of the limits on days, described above. No payment made under this provision if hospital obtains payment from individual. Payment may not be made under this provision for services furnished after the 6th elapsed day after the day of admission (not counting Saturday, Sunday, or a legal holiday as an elapsed day).

Secretary will determine amounts to be paid providers under part A, and they will be paid at least monthly from the Federal Hospital Insurance Trust Fund. Provider must furnish information requested by Secretary in order to determine amounts due.

1 adjustments on account of previously made overpayments or  
 2 underpayments; except that no such payments shall be made  
 3 to any provider unless it has furnished such information as  
 4 the Secretary may request in order to determine the amounts  
 5 due such provider under this part for the period with respect  
 6 to which the amounts are being paid or any prior period.

7 "USE OF PUBLIC AGENCIES OR PRIVATE ORGANIZATIONS  
 8 TO FACILITATE PAYMENT TO PROVIDERS OF SERVICES

9 "SEC. 1816. (a) If any group or association of pro-  
 10 viders of services wishes to have payments under this part to  
 11 such providers made through a national, State, or other public  
 12 or private agency or organization and nominates such agency  
 13 or organization for this purpose, the Secretary is authorized to  
 14 enter into an agreement with such agency or organization pro-  
 15 viding for the determination by such agency or organization  
 16 (subject to such review by the Secretary as may be pro-  
 17 vided for by the agreement) of the amount of the payments  
 18 required pursuant to this part to be made to such providers,  
 19 and for the making of such payments by such agency or  
 20 organization to such providers. Such agreement may also  
 21 include provision for the agency or organization to do all or  
 22 any part of the following: (1) to provide consultative serv-  
 23 ices to institutions or agencies to enable them to establish  
 24 and maintain fiscal records necessary for purposes of this  
 25 part and otherwise to qualify as hospitals, extended care fa-

Secretary may enter into agreement under which organizations or agencies designated by providers would determine amount of payments and receive payments on behalf of providers.

Agreement may include provision for agency or organization to (1) provide consultative services to providers to enable them to qualify to participate; (2) serve as centers for communicating with providers; (3) make audits of provider records; (4) perform other related functions.

1 cilities, or home health agencies, and (2) with respect to the  
 2 providers of services which are to receive payments through  
 3 it (A) to serve as a center for, and communicate to pro-  
 4 viders, any information or instructions furnished to it by the  
 5 Secretary, and serve as a channel of communication from  
 6 providers to the Secretary; (B) to make such audits of the  
 7 records of providers as may be necessary to insure that  
 8 proper payments are made under this part; and (C) to  
 9 perform such other functions as are necessary to carry out  
 10 this subsection.

11       “(b) The Secretary shall not enter into an agreement  
 12 with any agency or organization under this section unless  
 13 he finds (1) that to do so is consistent with the effective  
 14 and efficient administration of this part, (2) that such  
 15 agency or organization is willing and able to assist the  
 16 providers to which payments are made through it under  
 17 this part in the application of safeguards against unnecessary  
 18 utilization of services furnished by them to individuals en-  
 19 titled to hospital insurance benefits under section 226, and  
 20 the agreement provides for such assistance, and (3) such  
 21 agency or organization agrees to furnish to the Secretary  
 22 such of the information acquired by it in carrying out its  
 23 agreement under this section as the Secretary may find  
 24 necessary in performing his functions under this part.

25       “(c) An agreement with any agency or organization

Secretary will not enter into agreement unless doing so is consistent with effective and efficient administration of part A, and unless agency or organization is willing to assist providers in application of safeguards against unnecessary utilization, and unless agency or organization agrees to furnish Secretary necessary information acquired by it.

Agreement may provide for advance of funds to agency or



organization for making payments to providers and for payment of administrative costs they incur in carrying out agreement.

If agency or organization is nominated by association of providers, members of association may elect not to have payment made to such agency or organization. Provider may withdraw its nomination to receive payments through organization. Any provider which has withdrawn its nomination (and any provider which has not made a nomination) may elect to receive payments from any organization which has agreement with Secretary, if Secretary and organization agree.

Agreement may be terminated by agency or organization at such

1 under this section may contain such terms and conditions as  
2 the Secretary finds necessary or appropriate, may provide  
3 for advances of funds to the agency or organization for the  
4 making of payments by it under subsection (a), and shall  
5 provide for payment of so much of the cost of administration  
6 of the agency or organization as is determined by the Secre-  
7 tary to be necessary and proper for carrying out the functions  
8 covered by the agreement.

9 “(d) If the nomination of an agency or organization as  
10 provided in this section is made by a group or association of  
11 providers of services, it shall not be binding on members of  
12 the group or association which notify the Secretary of their  
13 election to that effect. Any provider may, upon such notice  
14 as may be specified in the agreement under this section with  
15 an agency or organization, withdraw its nomination to re-  
16 ceive payments through such agency or organization. Any  
17 provider which has withdrawn its nomination, and any pro-  
18 vider which has not made a nomination, may elect to receive  
19 payments from any agency or organization which has en-  
20 tered into an agreement with the Secretary under this sec-  
21 tion if the Secretary and such agency or organization agree  
22 to it.

23 “(e) An agreement with the Secretary under this sec-  
24 tion may be terminated—

25 “(1) by the agency or organization which entered



1 into such agreement at such time and upon such notice  
 2 to the Secretary, to the public, and to the providers as  
 3 may be provided in regulations, or

time and upon such notice as  
 may be provided in regulations.

4 “(2) by the Secretary at such time and upon such  
 5 notice to the agency or organization, to the providers  
 6 which have nominated it for purposes of this section,  
 7 and to the public, as may be provided in regulations,  
 8 but only if he finds, after reasonable notice and op-  
 9 portunity for hearing to the agency or organization,  
 10 that (A) the agency or organization has failed sub-  
 11 stantially to carry out the agreement, or (B) the con-  
 12 tinuation of some or all of the functions provided for in  
 13 the agreement with the agency or organization is dis-  
 14 advantageous or is inconsistent with the efficient ad-  
 15 ministration of this part.

Secretary may terminate agree-  
 ment after opportunity for  
 hearing, only if (1) organiza-  
 tion fails to carry out agree-  
 ment or (2) continued delegation  
 of functions to organization  
 disadvantageous or inconsistent  
 with efficient administration.

16 “(f) An agreement with an agency or organization un-  
 17 der this section may require any of its officers or employees  
 18 certifying payments or disbursing funds pursuant to the agree-  
 19 ment, or otherwise participating in carrying out the agree-  
 20 ment, to give surety bond to the United States in such  
 21 amount as the Secretary may deem appropriate.

Provides that employees of  
 organization give surety bond  
 to the U.S. in amount deter-  
 mined by the Secretary.

22 “(g) (1) No individual designated pursuant to an agree-  
 23 ment under this section as a certifying officer shall, in the  
 24 absence of gross negligence or intent to defraud the United

Employees of organization  
 responsible for certifying or  
 disbursing payments pursuant  
 to agreement not liable, in absence  
 of gross neglect or intent to  
 defraud, for improper payments.

1 States, be liable with respect to any payments certified by  
2 him under this section.

3 “(2) No disbursing officer shall, in the absence of gross  
4 negligence or intent to defraud the United States, be liable  
5 with respect to any payment by him under this section if it  
6 was based upon a voucher signed by a certifying officer des-  
7 ignated as provided in paragraph (1) of this subsection.

8 “FEDERAL HOSPITAL INSURANCE TRUST FUND

9 “SEC. 1817. (a) There is hereby created on the  
10 books of the Treasury of the United States a trust fund to be  
11 known as the ‘Federal Hospital Insurance Trust Fund’  
12 (hereinafter in this section referred to as the ‘Trust Fund’).  
13 The Trust Fund shall consist of such amounts as may be  
14 deposited in, or appropriated to, such fund as provided in this  
15 part. There are hereby appropriated to the Trust Fund for  
16 the fiscal year ending June 30, 1966, and for each fiscal  
17 year thereafter, out of any moneys in the Treasury not other-  
18 wise appropriated, amounts equivalent to 100 per centum  
19 of—

20 “(1) the taxes imposed by sections 3101(b) and  
21 3111(b) of the Internal Revenue Code of 1954 with  
22 respect to wages reported to the Secretary of the Treas-  
23 ury or his delegate pursuant to subtitle F of such Code  
24 after December 31, 1965, as determined by the Secretary  
25 of the Treasury by applying the applicable rates of tax

Creates a Federal Hospital  
Insurance Trust Fund.

Trust Fund shall consist of  
amounts that may be deposited  
in or appropriated to it under  
part A.

Appropriates to Trust Fund from  
Treasury for the fiscal year  
ending 6/30/66 and for each  
fiscal year thereafter amounts  
equal to 100 percent of:

(1) taxes imposed by sections  
3101(b) and 3111(b) of Internal  
Revenue Code on wages reported  
after 12/31/65; and (2) taxes  
imposed by section 1401(b) of  
Code on self-employment income  
reported on tax returns after  
12/31/65. These amounts will  
be transferred periodically on  
the basis of estimates, and  
adjustments will be made to  
extent prior estimates in  
excess of or less than the  
taxes specified.

1 under such sections to such wages, which wages shall be  
2 certified by the Secretary of Health, Education, and  
3 Welfare on the basis of records of wages established and  
4 maintained by the Secretary of Health, Education, and  
5 Welfare in accordance with such reports; and

6 “(2) the taxes imposed by section 1401 (b) of the  
7 Internal Revenue Code of 1954 with respect to self-em-  
8 ployment income reported to the Secretary of the Treas-  
9 ury or his delegate on tax returns under subtitle F of  
10 such Code, as determined by the Secretary of the Treas-  
11 ury by applying the applicable rate of tax under such sec-  
12 tion to such self-employment income, which self-employ-  
13 ment income shall be certified by the Secretary of Health,  
14 Education, and Welfare on the basis of records of self-  
15 employment established and maintained by the Secre-  
16 tary of Health, Education, and Welfare in accordance  
17 with such returns.

18 The amounts appropriated by the preceding sentence shall  
19 be transferred from time to time from the general fund in  
20 the Treasury to the Trust Fund, such amounts to be deter-  
21 mined on the basis of estimates by the Secretary of the  
22 Treasury of the taxes, specified in the preceding sentence,  
23 paid to or deposited into the Treasury; and proper adjust-  
24 ments shall be made in amounts subsequently transferred to

Creates Board of Trustees of the Trust Fund.

Board's duties consist of (1) holding the Fund, (2) reporting to the Congress by March 1st of each year on the operation and status of the Fund, (3) reporting to the Congress whenever the Board thinks the amount of the Fund is unduly small, and (4) reviewing and recommending changes (including legislative changes) in the general policies followed in managing the Fund.

1 the extent prior estimates were in excess of or were less than  
2 the taxes specified in such sentence.

3 “(b) With respect to the Trust Fund, there is hereby  
4 created a body to be known as the Board of Trustees of the  
5 Trust Fund (hereinafter in this section referred to as the  
6 ‘Board of Trustees’) composed of the Secretary of the  
7 Treasury, the Secretary of Labor, and the Secretary of  
8 Health, Education, and Welfare, all ex officio. The Secre-  
9 tary of the Treasury shall be the Managing Trustee of the  
10 Board of Trustees (hereinafter in this section referred to as  
11 the ‘Managing Trustee’). The Commissioner of Social  
12 Security shall serve as the Secretary of the Board of Trust-  
13 ees. The Board of Trustees shall meet not less frequently  
14 than once each year. It shall be the duty of the Board of  
15 Trustees to—

16 “(1) Hold the Trust Fund;

17 “(2) Report to the Congress not later than the first  
18 day of March of each year on the operation and status  
19 of the Trust Fund during the preceding fiscal year and  
20 on its expected operation and status during the current  
21 fiscal year and the next 2 fiscal years;

22 “(3) Report immediately to the Congress whenever  
23 the Board is of the opinion that the amount of the Trust  
24 Fund is unduly small; and

25 “(4) Review the general policies followed in man-



1     aging the Trust Fund, and recommend changes in such  
 2     policies, including necessary changes in the provisions  
 3     of law which govern the way in which the Trust Fund  
 4     is to be managed.

5     The report provided for in paragraph (2) shall include a  
 6     statement of the assets of, and the disbursements made from,  
 7     the Trust Fund during the preceding fiscal year, an estimate  
 8     of the expected income to, and disbursements to be made  
 9     from, the Trust Fund during the current fiscal year and  
 10    each of the next 2 fiscal years, and a statement of the actuarial  
 11    status of the Trust Fund. Such report shall be printed as a  
 12    House document of the session of the Congress to which the  
 13    report is made.

14    “(c) It shall be the duty of the Managing Trustee to  
 15    invest such portion of the Trust Fund as is not, in his judg-  
 16    ment, required to meet current withdrawals. Such invest-  
 17    ments may be made only in interest-bearing obligations of the  
 18    United States or in obligations guaranteed as to both princi-  
 19    pal and interest by the United States. For such purpose  
 20    such obligations may be acquired (1) on original issue at  
 21    the issue price, or (2) by purchase of outstanding obliga-  
 22    tions at the market price. The purposes for which obliga-  
 23    tions of the United States may be issued under the Second  
 24    Liberty Bond Act, as amended, are hereby extended to  
 25    authorize the issuance at par of public-debt obligations for

Managing Trustee will invest  
 such portion of the Trust Fund  
 as he thinks is not required  
 to meet current withdrawals.  
 Investments may be made only  
 in interest-bearing obliga-  
 tions of the U.S. or in  
 obligations guaranteed as to  
 both principal and interest  
 by the U.S.

1 purchase by the Trust Fund. Such obligations issued for  
 2 purchase by the Trust Fund shall have maturities fixed with  
 3 due regard for the needs of the Trust Fund and shall bear  
 4 interest at a rate equal to the average market yield (com-  
 5 puted by the Managing Trustee on the basis of market quota-  
 6 tions as of the end of the calendar month next preceding the  
 7 date of such issue) on all marketable interest-bearing obli-  
 8 gations of the United States then forming a part of the  
 9 public debt which are not due or callable until after the ex-  
 10 piration of 4 years from the end of such calendar month;  
 11 except that where such average market yield is not a  
 12 multiple of one-eighth of 1 per centum, the rate of interest on  
 13 such obligations shall be the multiple of one-eighth of 1  
 14 per centum nearest such market yield. The Managing  
 15 Trustee may purchase other interest-bearing obligations of the  
 16 United States or obligations guaranteed as to both principal  
 17 and interest by the United States, on original issue or at the  
 18 market price, only where he determines that the purchase  
 19 of such other obligations is in the public interest.

Obligations acquired by the Trust  
 Fund may be sold at the market  
 price and public-debt obligations  
 may be redeemed at par plus  
 accrued interest.

20 “(d) Any obligations acquired by the Trust Fund (ex-  
 21 cept public-debt obligations issued exclusively to the Trust  
 22 Fund) may be sold by the Managing Trustee at the market  
 23 price, and such public-debt obligations may be redeemed at  
 24 par plus accrued interest.

1       “(e) The interest on, and the proceeds from the sale or  
2 redemption of, any obligations held in the Trust Fund shall  
3 be credited to and form a part of the Trust Fund.

Interest and proceeds from sale of any obligations shall be credited to and form a part of the Trust Fund.

4       “(f) (1) The Managing Trustee is directed to pay from  
5 time to time from the Trust Fund into the Treasury the  
6 amount estimated by him as taxes imposed under section  
7 3101 (b) which are subject to refund under section 6413 (c)  
8 of the Internal Revenue Code of 1954 with respect to wages  
9 paid after December 31, 1965. Such taxes shall be deter-  
10 mined on the basis of the records of wages established and  
11 maintained by the Secretary of Health, Education, and Wel-  
12 fare in accordance with the wages reported to the Secretary  
13 of the Treasury or his delegate pursuant to subtitle F of  
14 the Internal Revenue Code of 1954, and the Secretary  
15 shall furnish the Managing Trustee such information as may  
16 be required by the Trustee for such purpose. The payments  
17 by the Managing Trustee shall be covered into the Treasury  
18 as repayments to the account for refunding internal revenue  
19 collections.

Directs Managing Trustee to pay periodically from the Trust Fund into the Treasury the amount (estimated by him) as taxes imposed under section 3101(b) which are subject to refund under section 6413(c) of the Internal Revenue Code.

20       “(2) Repayments made under paragraph (1) shall  
21 not be available for expenditures but shall be carried to  
22 the surplus fund of the Treasury. If it subsequently appears

These repayments will be carried to the surplus fund of the Treasury.

- 1 that the estimates under such paragraph in any particular
- 2 period were too high or too low, appropriate adjustments
- 3 shall be made by the Managing Trustee in future payments.

Provides for the transfer at least 4  
 once each fiscal year to the Trust  
 Fund from the OASI Trust Fund and 5  
 the DI Trust Fund of amounts  
 certified as overpayments pursuant 6  
 to section 1870(b). Also pro-  
 vides for a similar transfer to 7  
 the Fund from the Railroad Retire-  
 ment Account.

“(g) There shall be transferred periodically (but not  
 less often than once each fiscal year) to the Trust Fund from  
 the Federal Old-Age and Survivors Insurance Trust Fund  
 and from the Federal Disability Insurance Trust Fund  
 amounts equivalent to the amounts not previously so trans-  
 ferred which the Secretary of Health, Education, and  
 Welfare shall have certified as overpayments (other than  
 amounts so certified to the Railroad Retirement Board) pur-  
 suant to section 1870 (b) of this Act. There shall be trans-  
 ferred periodically (but not less often than once each fiscal  
 year) to the Trust Fund from the Railroad Retirement Ac-  
 count amounts equivalent to the amounts not previously so  
 transferred which the Secretary of Health, Education, and  
 Welfare shall have certified as overpayments to the Railroad  
 Retirement Board pursuant to section 1870 (b) of this Act.

The Managing Trustee will pay  
 from the Trust Fund the amounts  
 necessary to make payments under  
 part A and the payments with  
 respect to administrative  
 expenses in accordance with  
 section 201(κ)(1).

“(h) The Managing Trustee shall also pay from time to  
 time from the Trust Fund such amounts as the Secretary of  
 Health, Education, and Welfare certifies are necessary to  
 make the payments provided for by this part, and the pay-  
 ments with respect to administrative expenses in accordance  
 with section 201 (g) (1).



1 "PART B—SUPPLEMENTARY HEALTH INSURANCE BENE-  
2 FITS FOR THE AGED

3 "ESTABLISHMENT OF SUPPLEMENTARY HEALTH  
4 INSURANCE PROGRAM FOR THE AGED

5 "SEC. 1831. There is hereby established a voluntary  
6 insurance program to provide health insurance benefits in  
7 accordance with the provisions of this part for individuals 65  
8 years of age or over who elect to enroll under such program,  
9 to be financed from premium payments by enrollees together  
10 with contributions from funds appropriated by the Federal  
11 Government.

Establishes a voluntary health insurance program for individuals 65 or over to be financed from premium payments by enrollees and by contributions from general tax funds of Federal Government.

12 "SCOPE OF BENEFITS

13 "SEC. 1832. (a) The benefits provided to an individual  
14 by the insurance program established by this part shall con-  
15 sist of—

Benefits for an individual under part B consist of (1) entitlement to have payment made to him, or on his behalf, for: (A) physicians' services in hospital, clinic, office, or home; and (B) medical and other health services, except those in (2)(C); and (2) entitlement to have payment made on his behalf for: (A) inpatient psychiatric hospital services for up to 60 days during spell of illness; (B) home health services (without prior hospitalization) for up to 100 visits during calendar year; and (C) medical and other health services, provided by providers (or by others under arrangements with them).

16 "(1) entitlement to have payment made to him or  
17 on his behalf (subject to the provisions of this part)  
18 for—

19 "(A) physicians' services; and

20 "(B) medical and other health services, except  
21 those described in paragraph (2) (C) ; and

22 "(2) entitlement to have payment made on his be-  
23 half (subject to the provisions of this part) for—

1           “(A) inpatient psychiatric hospital services for  
2           up to 60 days during a spell of illness;

3           “(B) home health services for up to 100 visits  
4           during a calendar year; and

5           “(C) medical and other health services fur-  
6           nished by a provider of services or by others under  
7           arrangements with them made by a provider of  
8           services.

9           “(b) For definitions of ‘spell of illness’, ‘medical and  
10          other health services’, and other terms used in this part, see  
11          section 1861.

12                           “PAYMENT OF BENEFITS

13          “SEC. 1833. (a) Subject to the succeeding provisions  
14          of this section, there shall be paid from the Federal Supple-  
15          mentary Health Insurance Benefits Trust Fund, in the  
16          case of each individual who is covered under the insurance  
17          program established by this part and incurs expenses for  
18          services with respect to which benefits are payable under  
19          this part, amounts equal to—

20               “(1) in the case of services described in section  
21          1832 (a) (1)—80 percent of the reasonable charges  
22          for the services; and

23               “(2) in the case of services described in section  
24          1832 (a) (2)—80 percent of the reasonable cost of the  
25          services (as determined under section 1861 (v)).

Payment made from the Supplemen-  
tary Health Insurance Benefits  
Trust Fund for 80 percent of  
reasonable charges for physicians'  
services and certain medical and  
other health services.

Payment made from the Supplemen-  
tary Health Insurance Benefits  
Trust Fund for 80 percent of  
reasonable cost of inpatient  
psychiatric hospital, home health,  
and specified medical and other  
health services.

“(b) Before applying subsection (a) with respect to expenses incurred by an individual during any calendar year, the total amount of the expenses incurred by such individual during such year (which would, except for this subsection, constitute incurred expenses from which benefits payable under subsection (a) are determinable) shall be reduced by a deductible of \$50; except that the amount of the deductible for such calendar year as so determined shall first be reduced by the amount of any expenses incurred by such individual in the last three months of the preceding calendar year and applied toward such individual's deductible under this section for such preceding year.

Beneficiary responsible for payment of \$50 deductible annually before any payment is made by program under part B; however, the amount of any expenses which beneficiary incurred in last 3 months of preceding calendar year and which applied to that year's deductible would be applied to current year's deductible.

“(c) Notwithstanding any other provision of this part, with respect to expenses incurred in any calendar year in connection with the treatment of mental, psychoneurotic, and personality disorders of an individual who is not an inpatient of a hospital at the time such expenses are incurred, there shall be considered as incurred expenses for purposes of subsections (a) and (b) only whichever of the following amounts is the smaller:

Notwithstanding any other provisions of part B, the smaller of \$312.50 or 62 1/2 percent of expenses incurred in calendar year for treatment of mental, psychoneurotic, and personality disorders when not an inpatient of hospital at time such expenses incurred shall be considered incurred expenses for purposes of subsection (a) and (b). When 80 percent coinsurance applied to these maxima, actual dollar amount that can be paid for such expenses is \$250 or 50 percent of the charges, whichever is less.

“(1) \$312.50, or

“(2) 62½ percent of such expenses.

“(d) Notwithstanding any other provision of this part, expenses for whole blood furnished to an individual in a hospital shall be considered incurred expenses for purposes

Whole blood furnished to individual in a hospital shall be considered incurred expenses for purposes of subsections (a) and (b) beginning with 4th pint received during spell of illness.

1 of subsections (a) and (b) only if he has already been fur-  
 2 nished in the same spell of illness 3 pints of whole blood for  
 3 which (except for this subsection or section 1813 (a) (3))  
 4 payment would be made under this title.

5 “(e) No payment may be made under this part with  
 6 respect to any services furnished an individual to the extent  
 7 that such individual is entitled (or would be entitled except  
 8 for section 1813) to have payment made with respect to such  
 9 services under part A.

10 “(f) No payment shall be made to any provider of serv-  
 11 ices or other person under this part unless there has been  
 12 furnished such information as may be necessary in order to  
 13 determine the amounts due such provider or other person  
 14 under this part for the period with respect to which the  
 15 amounts are being paid or for any prior period.

16 “DURATION OF SERVICES

17 “SEC. 1834. (a) (1) Payment under this part for in-  
 18 patient psychiatric hospital services furnished an individual  
 19 during a spell of illness may not be made after such services  
 20 have been furnished to him for 60 days during such spell;  
 21 and no payment under this part for inpatient psychiatric  
 22 hospital services furnished an individual may be made after  
 23 such services have been furnished to him for a total of 180  
 24 days during his lifetime.

25 “(2) If an individual is an inpatient in a psychiatric  
 26 hospital on the first day on which he is entitled to benefits

Payment may not be made under part B for services furnished an individual if individual entitled to have payment made for those services under part A (or would be entitled except for deductibles).

No payment made under Part B unless information necessary to determine the amounts of such payments has been furnished.

Payment may not be made for inpatient psychiatric hospital services after 60 days during a spell of illness, and no payment may be made after services have been furnished to individual for a total of 180 days during his lifetime.

Provides that if individual is inpatient in a psychiatric hospital on first day he is



1 under this part, the days in the 60-day period immediately  
 2 before such first day on which he was an inpatient in such  
 3 a hospital shall be included in determining the 60-day limit  
 4 under paragraph (1) but not in determining the 180-day  
 5 limit under such paragraph.

6 “(b) Payment under this part may not be made for  
 7 home health services furnished an individual during any  
 8 calendar year after such services have been furnished to him  
 9 during such year for 100 visits. The number of visits to  
 10 be charged for purposes of the limitation in the preceding  
 11 sentence, in connection with items and services described in  
 12 section 1861 (m), shall be determined in accordance with  
 13 regulations.

14 “(c) For purposes of subsections (a) (1) and (b),  
 15 inpatient psychiatric hospital services and home health serv-  
 16 ices shall be taken into account only if payment under this  
 17 part is or would be, except for this section or the failure to  
 18 comply with the request and certification requirements of or  
 19 under section 1835 (a), made with respect to such services.

20 “PROCEDURE FOR PAYMENT OF CLAIMS OF PROVIDERS OF  
 21 SERVICES

22 “SEC. 1835. (a) Payment for services described in sec-  
 23 tion 1832 (a) (2) furnished an individual may be made only  
 24 to providers of services which are eligible therefor under  
 25 section 1866 (a), and only if—

entitled to benefits under part B,  
 the days in the 60-day period  
 immediately before such first day  
 shall count in determining 60-day  
 limit under paragraph (1) but not  
 count in determining the 180-day  
 lifetime limit.

Payment may not be made for home  
 health services furnished an indi-  
 vidual during calendar year after  
 such services have been furnished  
 to him for 100 visits during year.

For purposes of limits on duration  
 for which payment may be made,  
 inpatient psychiatric hospital and  
 home health services shall be taken  
 into account only if payment is  
 made or would be made except for  
 this subsection or failure to  
 comply with request and certifi-  
 cation requirements of section  
 1835(a).

Payment for covered services  
 specified in section 1832(a)(2)  
 may be made only to eligible provider of  
 services and only if:

(1) written request is filed by individual (or others designated by Secretary when impractical for individual to sign);

(2) physician certifies (and recertifies where services furnished over a period of time as often as may be provided in regulations, but before the 21st day of the period of inpatient psychiatric hospital services) that:

(A) in the case of inpatient psychiatric services the services were required on an inpatient basis by or under the supervision of a physician and treatment could reasonably be expected to improve the condition, or inpatient diagnostic study was medically required.

(B) in the case of home health

“(1) written request, signed by such individual except in cases in which the Secretary finds it impracticable for the individual to do so, is filed for such payment in such form, in such manner, within such time, and by such person or persons as the Secretary may by regulations prescribe;

“(2) a physician certifies (and recertifies, where such services are furnished over a period of time, in such cases, with such frequency, and accompanied by such supporting material, appropriate to the case involved, as may be provided by regulations, except that the first of such recertifications shall be required in each case of inpatient psychiatric hospital services not later than the 20th day of such period) that—

“(A) in the case of inpatient psychiatric hospital services, such services are or were required to be given on an inpatient basis, by or under the supervision of a physician, for the psychiatric treatment of an individual; and (i) such treatment can or could reasonably be expected to improve the condition for which such treatment is or was necessary or (ii) inpatient diagnostic study is or was medically required and such services are or were necessary for such purposes;

“(B) in the case of home health services (i)

such services are or were required because the individual is or was confined to his home (except when receiving items and services referred to in section 1861 (m) (7) ) and needed skilled nursing care on an intermittent basis, or because he needed physical or speech therapy, (ii) a plan for furnishing such services to such individual has been established and is periodically reviewed by a physician, and (iii) such services are or were furnished while the individual is or was under the care of a physician; and

“(C) in the case of medical and other health services, such services are or were medically required;

“(3) in the case of inpatient psychiatric hospital services, the services are those which the records of the hospital indicate were furnished to the individual during periods when he was receiving (A) intensive treatment services, (B) admission and related services necessary for a diagnostic study, or (C) equivalent services;

“(4) with respect to inpatient psychiatric hospital services furnished to the individual after the 20th day of a continuous period of such services, there was not in effect, at the time of admission of such individual to the hospital, a decision under section 1866 (d) (based on a

services, services required because individual was confined to his home and needed intermittent skilled nursing care or physical or speech therapy and that the services were furnished under the care of a physician under a plan established and reviewed periodically.

(C) in the case of medical and other health services, such services were medically required.

Payment made for inpatient psychiatric services only if services are those which the records of the hospital indicate were furnished during periods when individual received either intensive treatment services, services necessary for a diagnostic study, or equivalent services.

Payment not made for inpatient psychiatric hospital services furnished after 20th day of continuous stay unless hospital making timely utilization review of long stay cases.

If a finding made, in course of utilization review, that inpatient psychiatric hospital services furnished during continuous period are not medically necessary, payment would not be made after third day after day notice of such finding is received by hospital.

1 finding that utilization review of long-stay cases is not  
2 being made in such hospital) ; and

3 “ (5) with respect to inpatient psychiatric hospital  
4 services furnished to the individual during a continuous  
5 period, a finding has not been made (by the physician  
6 members of the committee or group, as described in  
7 section 1861 (k) (4) ) pursuant to the system of utiliza-  
8 tion review that further inpatient psychiatric hospital  
9 services are not medically necessary; except that, if  
10 such a finding has been made, payment may be made  
11 with respect to such services furnished before the 4th  
12 day after the day on which the hospital received notice  
13 of such finding.

14 To the extent provided by regulations, the certification and  
15 recertification requirements of paragraph (2) shall be  
16 deemed satisfied where, at a later date, a physician makes a  
17 certification of the kind provided in subparagraph (A),  
18 (B), or (C) of paragraph (2) (whichever would have  
19 applied), but only where such certification is accom-  
20 panied by such medical and other evidence as may be  
21 required by such regulations.

No payment may be made under part B to a Federal provider of services unless Secretary finds that it serves as a community institution or agency. No payment may be made to any provider for any item or service it is required to render

22 “(b) No payment may be made under this part to  
23 any Federal provider of services or other Federal agency,  
24 except a provider of services which the Secretary determines  
25 is providing services to the public generally as a community



1 institution or agency; and no such payment may be made to  
 2 any provider of services or other person for any item or  
 3 service which such provider or person is obligated by a law  
 4 of, or a contract with, the United States to render at public  
 5 expense.

6       “(c) Notwithstanding that an individual is not entitled  
 7 to have payment made under this part for inpatient psychi-  
 8 atric hospital services furnished by any psychiatric hospital,  
 9 payment shall be made to such hospital (unless it elects not  
 10 to receive such payment or, if payment has already been  
 11 made by or on behalf of such individual, fails to refund  
 12 such payment within the time specified by the Secretary)  
 13 for such services which are furnished to the individual prior  
 14 to notification to such hospital from the Secretary of his  
 15 lack of entitlement, if such payments are precluded only  
 16 by reason of section 1834 and if such hospital complies  
 17 with the requirements of and regulations under this title  
 18 with respect to such payments, has acted in good faith  
 19 and without knowledge of such lack of entitlement, and has  
 20 acted reasonably in assuming entitlement existed. Payment  
 21 under the preceding sentence may not be made for services  
 22 furnished an individual pursuant to any admission after the  
 23 6th elapsed day (not including as an elapsed day Saturday,  
 24 Sunday, or a legal holiday) after the day on which such  
 25 admission occurred.

at public expense under a law  
 or contract with the U.S.

If psychiatric hospital acted reasonably in believing that an individual was entitled to payment under this part, the provider can get payment for services furnished prior to certification from Secretary that individual is not entitled because of the limitations on days described above. No payment shall be made if the hospital obtains payment from the individual or on his behalf. Payment may not be made for services furnished after the 6th elapsed day after the day of admission (not counting Saturday, Sunday, or a legal holiday as an elapsed day).

1

## "ELIGIBLE INDIVIDUALS

Persons who are 65 and are residents of U.S., and are either citizens or aliens admitted for permanent residence, are eligible to enroll in the insurance program established by part B.

2

"SEC. 1836. Every individual who—

3

(1) has attained the age of 65, and

4

(2) is a resident of the United States, and is either

5

a citizen or an alien lawfully admitted for permanent

6

residence,

7

is eligible to enroll in the insurance program established

8

by this part.

9

## "ENROLLMENT PERIODS

An individual may enroll in the insurance program established by part B only in such manner and form as may be prescribed in regulations and only during an enrollment period described in this section.

10

"SEC. 1837. (a) An individual may enroll in the in-

11

surance program established by this part only in such man-

12

ner and form as may be prescribed by regulations, and only

13

during an enrollment period prescribed in or under this

14

section.

No individual may enroll for the first time under part B more than 3 years after the close of the first enrollment period during which he could have enrolled.

15

(b) (1) No individual may enroll for the first time

16

under this part more than 3 years after the close of the first

17

enrollment period during which he could have enrolled under

18

this part.

19

(2) An individual whose enrollment under this part

20

has terminated may not enroll for the second time under this

An individual whose enrollment under this part has terminated may not enroll for second time unless he does so in general enrollment period which begins within 3 years after the effective date of such termination. (No individual may enroll under part B more than twice.)

21

part unless he does so in a general enrollment period (as

22

provided in subsection (e)) which begins within 3 years

23

after the effective date of such termination. No individual

24

may enroll under this part more than twice.

25

(c) In the case of individuals who first satisfy para-

For individuals who meet the

1 graphs (1) and (2) of section 1836 before January 1, 1966,  
 2 the initial general enrollment period shall begin on the first  
 3 day of the second month which begins after the date of enact-  
 4 ment of this title and shall end on March 31, 1966.

eligibility requirements before 1/1/66, the initial general enrollment period shall begin on the first day of the second month which begins after the date of enactment and shall end on March 31, 1966.

5 “(d) In the case of an individual who first satisfies  
 6 paragraphs (1) and (2) of section 1836 on or after Janu-  
 7 ary 1, 1966, his initial enrollment period shall begin on the  
 8 first day of the third month before the month in which he  
 9 first satisfies such paragraphs and shall end seven months  
 10 later.

For an individual who meets the eligibility requirements on or after 1/1/66, initial enrollment period shall begin on first day of the third month before the month in which he meets eligibility requirements and shall end 7 months later.

11 “(e) There shall be a general enrollment period, after  
 12 the period described in subsection (c), during the period  
 13 beginning on October 1 and ending on December 31 of each  
 14 odd-numbered year beginning with 1967.

Provides for a general enrollment period from October 1 to December 31 of each odd-numbered year beginning with 1967.

#### 15 “COVERAGE PERIOD

16 “SEC. 1838. (a) The period during which an individual  
 17 is entitled to benefits under the insurance program established  
 18 by this part (hereinafter referred to as his ‘coverage period’)  
 19 shall begin on whichever of the following is the latest:

An individual's coverage period shall begin on 7/1/66, or the first day of the third month following the month in which he enrolls in his initial enrollment period, or the July 1 following the month in which he enrolls in a general enrollment period, whichever is the latest.

20 “(1) July 1, 1966; or

21 “(2) the first day of the third month following the  
 22 month in which he enrolls pursuant to subsection (d)  
 23 of section 1837, or the July 1 following the month in  
 24 which he enrolls pursuant to subsection (e) of section  
 25 1837.

Coverage period shall continue until individual's enrollment has been terminated (1) by filing of notice, during a general enrollment period, that he no longer wishes to participate, or (2) by nonpayment of premiums. Termination of a coverage period by filing of notice shall take effect at the close of December 31 of year in which notice is filed; termination by reason of nonpayment of premiums shall take effect on a date determined in regulations, which may be determined so that a grace period of up to 90 days may be provided during which overdue premiums may be paid and coverage period continued.

Payment may be made under part B only for expenses incurred by an individual during his coverage period.

Monthly premium for each individual enrolled under part B for each month before 1968 is \$3.00.

Monthly premium for each individual enrolled under part B for each month after 1967 shall

“(b) An individual's coverage period shall continue until his enrollment has been terminated—

“(1) by the filing of notice, during a general enrollment period described in section 1837 (e), that the individual no longer wishes to participate in the insurance program established by this part, or

“(2) for nonpayment of premiums.

The termination of a coverage period under paragraph (1) shall take effect at the close of December 31 of the year in which the notice is filed. The termination of a coverage period under paragraph (2) shall take effect on a date determined under regulations, which may be determined so as to provide a grace period (not in excess of 90 days) in which overdue premiums may be paid and coverage continued.

“(c) No payments may be made under this part with respect to the expenses of an individual unless such expenses were incurred by such individual during a period which, with respect to him, is a coverage period.

#### “AMOUNTS OF PREMIUMS

“SEC. 1839. (a) The monthly premium of each individual enrolled under this part for each month before 1968 shall be \$3.

“(b) (1) The monthly premium of each individual en-



1 rolled under this part for each month after 1967 shall be  
2 the amount determined under paragraph (2).

be determined under following paragraph (2).

3       “(2) The Secretary shall, between July 1 and Octo-  
4 ber 1 of 1967 and of each odd-numbered year thereafter,  
5 determine and promulgate the dollar amount which shall be  
6 applicable for premiums for months occurring in either of the  
7 two succeeding calendar years. Such dollar amount shall be  
8 such amount as the Secretary estimates to be necessary so  
9 that the aggregate premiums for such two succeeding calen-  
10 dar years will equal one-half of the total of the benefits and  
11 administrative costs which he estimates will be payable from  
12 the Federal Supplementary Health Insurance Benefits Trust  
13 Fund for such two succeeding calendar years. In estimating  
14 aggregate benefits payable for any period, the Secretary shall  
15 include an appropriate amount for a contingency margin.

Between July 1 and October 1 of 1967 and of each odd-numbered year thereafter, Secretary will determine dollar amount applicable for premiums for months occurring in the 2 succeeding calendar years. Such dollar amount will be amount the Secretary estimates to be necessary so that the aggregate premiums will equal one-half the benefits and administrative costs he estimates will be payable from the Supplementary Health Insurance Benefits Trust Fund for the 2 succeeding years. In estimating aggregate benefits payable for any period, an appropriate amount will be included for a contingency margin.

16       “(c) In the case of an individual whose coverage period  
17 began pursuant to an enrollment after his initial enrollment  
18 period (determined pursuant to subsection (c) or (d) of  
19 section 1837), the monthly premium determined under sub-  
20 section (b) shall be increased by 10 percent of the monthly  
21 premium so determined for each full 12 months in which  
22 he could have been but was not enrolled. For purposes of  
23 the preceding sentence, there shall be taken into account  
24 (1) the months which elapsed between the close of his

In the case of an individual who enrolls after his initial enrollment period, his monthly premium shall be increased by 10 percent for each full 12 months in which he could have been but was not enrolled.

1 initial enrollment period and the close of the enrollment  
 2 period in which he enrolled, plus (in the case of an individual  
 3 who enrolls for a second time) (2) the months which  
 4 elapsed between the date of the termination of his first  
 5 coverage period and the close of the enrollment period in  
 6 which he enrolled for the second time.

7 “(d) If any monthly premium determined under the  
 8 foregoing provisions of this section is not a multiple of 10  
 9 cents, such premium shall be rounded to the nearest multiple  
 10 of 10 cents.

#### 11 “PAYMENT OF PREMIUMS

12 “SEC. 1840. (a) (1) In the case of an individual who  
 13 is entitled to monthly benefits under section 202, his monthly  
 14 premiums under this part shall (except as provided in sub-  
 15 section (d)) be collected by deducting the amount thereof  
 16 from the amount of such monthly benefits. Such deduction  
 17 shall be made in such manner and at such times as the Sec-  
 18 retary shall by regulation prescribe.

19 “(2) The Secretary of the Treasury shall, from time  
 20 to time, transfer from the Federal Old-Age and Survivors  
 21 Insurance Trust Fund or the Federal Disability Insurance  
 22 Trust Fund to the Federal Supplementary Health Insurance  
 23 Benefits Trust Fund the aggregate amount deducted under  
 24 paragraph (1) for the period to which such transfer relates  
 25 from benefits under section 202 which are payable from

Any monthly premium which is not a multiple of 10 cents shall be rounded to the nearest multiple of 10 cents.

Monthly premiums of social security beneficiaries collected by deducting premiums from amounts of social security benefits.

Secretary of Treasury will periodically transfer from OASI and DI Trust Funds to Supplementary Health Insurance Benefits Trust Fund amounts deducted for premiums.

1 such Trust Fund. Such transfer shall be made on the basis  
 2 of a certification by the Secretary of Health, Education,  
 3 and Welfare and shall be appropriately adjusted to the  
 4 extent that prior transfers were too great or too small.

5 “(b) (1) In the case of an individual who is entitled  
 6 to receive for a month an annuity or pension under the  
 7 Railroad Retirement Act of 1937, his monthly premiums  
 8 under this part shall (except as provided in subsection (d) )  
 9 be collected by deducting the amount thereof from such an-  
 10 nuity or pension. Such deduction shall be made in such man-  
 11 ner and at such times as the Secretary shall by regulations  
 12 prescribe. Such regulations shall be prescribed only after  
 13 consultation with the Railroad Retirement Board.

In the case of an individual entitled to annuity or pension under Railroad Retirement Act, monthly premium is to be deducted from that annuity or pension.

14 “(2) The Secretary of the Treasury shall, from time to  
 15 time, transfer from the Railroad Retirement Account to the  
 16 Federal Supplementary Health Insurance Benefits Trust  
 17 Fund the aggregate amount deducted under paragraph (1)  
 18 for the period to which such transfer relates. Such transfers  
 19 shall be made on the basis of a certification by the Railroad  
 20 Retirement Board and shall be appropriately adjusted to the  
 21 extent that prior transfers were too great or too small.

Secretary of the Treasury will periodically transfer from Railroad Retirement Account to Supplementary Health Insurance Benefits Trust Fund total amounts deducted for premiums.

22 “(c) In the case of an individual who is entitled both  
 23 to monthly benefits under section 202 and to an annuity or  
 24 pension under the Railroad Retirement Act of 1937 at the  
 25 time he enrolls under this part, subsection (a) shall apply

In the case of an individual entitled to both social security benefits and annuity or pension under Railroad Retirement Act, deduction for premiums will be made from social security benefits, except in cases in which the

individual was entitled to railroad retirement benefits before he was entitled to social security benefits.

An individual who estimates that the amount of social security or railroad retirement benefits available for deduction for any period will be less than the amount of premiums for that period may pay to the Secretary such portion of the premium for that period as the individual desires.

In the case of an individual who participates in the program established by part B but who is neither a social security nor railroad retirement beneficiary, premiums are to be paid to the Secretary in a manner prescribed by regulations.

Amounts paid to the Secretary shall be deposited in the Federal Supplementary Health Insurance Benefits Trust Fund.

1 so long as he continues to be entitled both to such benefits  
2 and such annuity or pension. In the case of an individual  
3 who becomes entitled both to such benefits and such an  
4 annuity or pension after he enrolls under this part, subsection  
5 (a) shall apply if the first month for which he was entitled  
6 to such benefits was the same as or earlier than the first  
7 month for which he was entitled to such annuity or pension,  
8 and otherwise subsection (b) shall apply.

9 “(d) If an individual to whom subsection (a) or (b)  
10 applies estimates that the amount which will be available  
11 for deduction under such subsection for any premium pay-  
12 ment period will be less than the amount of the monthly  
13 premiums for such period, he may (under regulations) pay  
14 to the Secretary such portion of the monthly premiums for  
15 such period as he desires.

16 “(e) In the case of an individual who participates in  
17 the insurance program established by this part but with re-  
18 spect to whom neither subsection (a) nor subsection (b)  
19 applies, the premiums shall be paid to the Secretary at such  
20 times, and in such manner, as the Secretary shall by regula-  
21 tions prescribe.

22 “(f) Amounts paid to the Secretary under subsection  
23 (d) or (e) shall be deposited in the Treasury to the credit  
24 of the Federal Supplementary Health Insurance Benefits  
25 Trust Fund.



7 "FEDERAL SUPPLEMENTARY HEALTH INSURANCE BENE-  
8 FITS TRUST FUND

Provides for the creation of the  
"Federal Supplementary Health  
Insurance Benefits Trust Fund".

Creates Board of Trustees of the Trust Fund composed of the Secretaries of the Treasury, Labor, and Health, Education, and Welfare. Secretary of the Treasury, Managing Trustee, and the Commissioner of Social Security, Secretary of the Board. Board will meet at least once a year. The functions of the Board will be to:

1 Security shall serve as the Secretary of the Board of Trust-  
 2 ees. The Board of Trustees shall meet not less frequently  
 3 than once each year. It shall be the duty of the Board of  
 4 Trustees to—

(1) hold the Trust Fund;

“(1) Hold the Trust Fund;

(2) report to the Congress by March 1 of each year on operation and status of Trust Fund for preceding fiscal year, on expected status and operation for current fiscal year and each of the next two fiscal years;

“(2) Report to the Congress not later than the first day of March of each year on the operation and status of the Trust Fund during the preceding fiscal year and on its expected operation and status during the current fiscal year and the next 2 fiscal years;

(3) report immediately to the Congress whenever the Board thinks the amount of Trust Fund is unduly small; and

“(3) Report immediately to the Congress whenever the Board is of the opinion that the amount of the Trust Fund is unduly small; and

(4) review general policies followed in managing Trust Fund and recommend necessary changes.

“(4) Review the general policies followed in managing the Trust Fund, and recommend changes in such policies, including necessary changes in the provisions of law which govern the way in which the Trust Fund is to be managed.

The report on the status and operation of the Trust Fund will include statement of assets and disbursements during preceding year and estimates of income and disbursements for current fiscal year and each of next two fiscal years.

The report provided for in paragraph (2) shall include a statement of the assets of, and the disbursements made from, the Trust Fund during the preceding fiscal year, an estimate of the expected income to, and disbursements to be made from, the Trust Fund during the current fiscal year and each of the next 2 fiscal years, and a statement of the actuarial status of the Trust Fund. Such report shall be printed as a

1 House document of the session of the Congress to which the  
2 report is made.

3       “(c) It shall be the duty of the Managing Trustee to  
4 invest such portion of the Trust Fund as is not, in his judg-  
5 ment, required to meet current withdrawals. Such invest-  
6 ments may be made only in interest-bearing obligations of the  
7 United States or in obligations guaranteed as to both princi-  
8 pal and interest by the United States. For such purpose  
9 such obligations may be acquired (1) on original issue at  
10 the issue price, or (2) by purchase of outstanding obliga-  
11 tions at the market price. The purposes for which obliga-  
12 tions of the United States may be issued under the Second  
13 Liberty Bond Act, as amended, are hereby extended to  
14 authorize the issuance at par of public-debt obligations for  
15 purchase by the Trust Fund. Such obligations issued for  
16 purchase by the Trust Fund shall have maturities fixed with  
17 due regard for the needs of the Trust Fund and shall bear  
18 interest at a rate equal to the average market yield (com-  
19 puted by the Managing Trustee on the basis of market quota-  
20 tions as of the end of the calendar month next preceding the  
21 date of such issue) on all marketable interest-bearing obli-  
22 gations of the United States then forming a part of the  
23 public debt which are not due or callable until after the ex-  
24 piration of 4 years from the end of such calendar month;  
25 except that where such average market yield is not a multi-

The Managing Trustee will invest that portion of the Trust Fund not required to meet current withdrawals. Investments may only be made in interest-bearing obligations of the United States or in obligations guaranteed by United States as to both interest and principal. Other obligations of United States or guaranteed by United States may be purchased by Managing Trustee only when he determines it is in the public interest.

1 ple of one-eighth of 1 per centum, the rate of interest on  
 2 such obligations shall be the multiple of one-eighth of 1  
 3 per centum nearest such market yield. The Managing  
 4 Trustee may purchase other interest-bearing obligations of the  
 5 United States or obligations guaranteed as to both principal  
 6 and interest by the United States, on original issue or at the  
 7 market price, only where he determines that the purchase  
 8 of such other obligations is in the public interest.

9 “(d) Any obligations acquired by the Trust Fund (ex-  
 10 cept public-debt obligations issued exclusively to the Trust  
 11 Fund) may be sold by the Managing Trustee at the market  
 12 price, and such public-debt obligations may be redeemed at  
 13 par plus accrued interest.

14 “(e) The interest on, and the proceeds from the sale  
 15 or redemption of, any obligations held in the Trust Fund  
 16 shall be credited to and form a part of the Trust Fund.

17 “(f) There shall be transferred periodically (but not  
 18 less often than once each fiscal year) to the Trust Fund  
 19 from the Federal Old-Age and Survivors Insurance Trust  
 20 Fund and from the Federal Disability Insurance Trust Fund  
 21 amounts equivalent to the amounts not previously so trans-  
 22 ferred which the Secretary of Health, Education, and Wel-  
 23 fare shall have certified as overpayments (other than  
 24 amounts so certified to the Railroad Retirement Board) pur-  
 25 suant to section 1870 (b) of this Act. There shall be trans-

Interest on and proceeds from  
 sale of any obligations held in  
 Trust Fund shall be credited to,  
 and form part of, Trust Fund.

Provides for the transfer at  
 least once each fiscal year to  
 the Supplementary Health Insur-  
 ance Benefits Trust Fund from the  
 Federal OASI Trust Fund, the  
 Federal DI Trust Fund and the  
 Railroad Retirement Account of  
 amount certified by Secretary as  
 overpayments to providers of  
 services for which subsequent  
 cash social security benefits  
 or railroad retirement benefits  
 will be reduced.



1 ferred periodically (but not less often than once each fiscal  
 2 year) to the Trust Fund from the Railroad Retirement  
 3 Account amounts equivalent to the amounts not previously  
 4 so transferred which the Secretary of Health, Education, and  
 5 Welfare shall have certified as overpayments to the Railroad  
 6 Retirement Board pursuant to section 1870 (b) of this Act.

7 “(g) The Managing Trustee shall pay from time to  
 8 time from the Trust Fund such amounts as the Secretary of  
 9 Health, Education, and Welfare certifies are necessary to  
 10 make the payments provided for by this part, and the pay-  
 11 ments with respect to administrative expenses in accordance  
 12 with section 201 (g) (1).

13 “USE OF CARRIERS FOR ADMINISTRATION OF BENEFITS

14 “SEC. 1842. (a) In order to provide for the adminis-  
 15 tration of the benefits under this part, the Secretary shall  
 16 to the extent possible enter into contracts with carriers which  
 17 will undertake to perform the following functions or, to the  
 18 extent provided in such contracts, to secure such performance  
 19 by other organizations:

20 “(1) (A) make determinations of the rates and  
 21 amounts of payments required pursuant to this part to  
 22 be made to providers of services and other persons on  
 23 a reasonable cost or reasonable charge basis (as may  
 24 be applicable);

Managing Trustee will pay from the Trust Fund such amounts as are necessary to make the payments provided for in part B and for related administrative expenses.

To the extent possible, Secretary required to enter into contracts with carriers which will undertake to perform, or secure performance by other organizations, the following administrative functions in connection with program established by part B:

(A) make determinations of rates and amounts of payments to be made to providers of services and other persons on a reasonable cost or reasonable charge basis, whichever is applicable;

(B) receive, disburse, and account for funds in making such payments; and

(C) audit records of providers of services to assure that proper payments are made.

Also, carriers will:

(A) determine compliance with utilization review requirement;

(B) assist providers in development of procedures relating to utilization practices, make studies of the effectiveness of such procedures, assist in application of safeguards against unnecessary utilization of services, assist in arranging, where necessary, the establishment of groups outside hospital to make reviews of utilization.

Carriers will also: serve as a channel of communication relating to the administration of program provided under part B, assist in discharging other necessary administrative duties as may be provided in the contract.

"(B) receive, disburse, and account for funds in making such payments; and

"(C) make such audits of the records of providers of services as may be necessary to assure that proper payments are made under this part;

"(2) (A) determine compliance with the requirements of section 1861 (k) as to utilization review; and

"(B) assist providers of services and other persons who furnish services for which payment may be made under this part in the development of procedures relating to utilization practices, make studies of the effectiveness of such procedures and methods for their improvement, assist in the application of safeguards against unnecessary utilization of services furnished by providers of services and other persons to individuals entitled to benefits under this part, and provide procedures for and assist in arranging, where necessary, the establishment of groups outside hospitals (meeting the requirements of section 1861 (k) (2) ) to make reviews of utilization;

"(3) serve as a channel of communication of information relating to the administration of this part; and

"(4) otherwise assist, in such manner as the contract may provide, in discharging administrative duties necessary to carry out the purposes of this part.

"(b) (1) Contracts with carriers under subsection (a)

1 may be entered into without regard to section 3709 of the Contracts with carriers may be  
 2 Revised Statutes or any other provision of law requiring entered into without regard to  
 3 competitive bidding. any provision of law requiring  
 competitive bidding.

4 “(2) No such contract shall be entered into with any The Secretary not to contract  
 5 carrier unless the Secretary finds that such carrier will with a carrier unless that carrier  
 6 perform its obligations under the contract efficiently and will perform its obligations under  
 7 effectively and will meet such requirements as to financial such contract efficiently and  
 8 responsibility, legal authority, and other matters as he finds effectively and meets require-  
 9 pertinent. ments relating to financial  
 responsibility, legal authority  
 and other matters as he finds  
 pertinent.

10 “(3) Each such contract shall provide that the carrier— Each contract must provide that  
 11 the carrier will:

12 “(A) will take such action as may be necessary to (A) take necessary action to  
 13 assure that, where payment under this part for a service assure that where payment  
 14 is on a cost basis, the cost is reasonable cost (as deter- is on a cost basis, the  
 15 mined under section 1861 (v)) ; cost is reasonable cost;

16 “(B) will take such action as may be necessary to (B) take necessary action to  
 17 assure that, where payment under this part for a service assure that where payment  
 18 is on a charge basis, (i) such charge will be reasonable is on a charge basis, charge  
 19 and not higher than the charge applicable, for a com- is reasonable and not higher  
 20 parable service and under comparable circumstances, to than charge applicable for  
 21 the policyholders and subscribers of the carrier, and a comparable service to the  
 22 (ii) such payment will be made on the basis of a re- policy-holders of the carrier  
 23 ceipted bill, or on the basis of an assignment under which and such payment is on the  
 24 terms of which the reasonable charge is the full charge for the basis of a receipted bill  
 25 for the service; or assignment under which  
 the reasonable charge is  
 the full charge for the  
 service;

“ (C) will establish and maintain procedures pur- (C) establish and maintain  
 procedures under which  
 an individual enrolled

under the voluntary insurance plan will be entitled to a fair hearing by the carrier when requests for payment are denied, not acted upon with reasonable promptness, or amount of payment is in controversy;

(D) furnish to the Secretary such timely information and reports as may be necessary for the Secretary to perform his functions;

(E) maintain and afford access to whatever records Secretary finds necessary for verification of information and otherwise to carry out the purposes of part B.

Each contract shall also contain other terms and conditions as Secretary may find necessary.

Each contract must be for term of at least 1 year and may be automatically renewed unless either party provides notice of intent to terminate at the end of current term. Secretary may terminate at any time (after such reasonable notice and opportunity for hearing to the carrier as may be provided in regulations) if he finds that carrier has failed to carry out contract or is carrying it out in a manner inconsistent with efficient administration.

1 suant to which an individual enrolled under this part  
2 will be granted an opportunity for a fair hearing by the  
3 carrier when requests for payment under this part with  
4 respect to services furnished him are denied or are not  
5 acted upon with reasonable promptness or when the  
6 amount of such payment is in controversy;

7 “(D) will furnish to the Secretary such timely  
8 information and reports as he may find necessary in  
9 performing his functions under this part; and

10 “(E) will maintain such records and afford such  
11 access thereto as the Secretary finds necessary to assure  
12 the correctness and verification of the information and  
13 reports under subparagraph (D) and otherwise to carry  
14 out the purposes of this part;

15 and shall contain such other terms and conditions not incon-  
16 sistent with this section as the Secretary may find necessary  
17 or appropriate.

18 “(4) Each contract under this section shall be for a  
19 term of at least one year, and may be made automatically  
20 renewable from term to term in the absence of notice by  
21 either party of intention to terminate at the end of the cur-  
22 rent term; except that the Secretary may terminate any  
23 such contract at any time (after such reasonable notice and  
24 opportunity for hearing to the carrier involved as he may  
25 provide in regulations) if he finds that the carrier has failed  
26 substantially to carry out the contract or is carrying out the



1 contract in a manner inconsistent with the efficient and  
 2 effective administration of the insurance program established  
 3 by this part.

4     “(c) Any contract entered into with a carrier under  
 5 this section shall provide for advances of funds to the carrier  
 6 for the making of payments by it under this part, and shall  
 7 provide for payment of the cost of administration of the  
 8 carrier, as determined by the Secretary to be necessary and  
 9 proper for carrying out the functions covered by the contract.

Contract to provide for advances of funds to the carrier for the making of payments by it under part B and for payment of necessary and proper administrative costs of the carrier.

10     “(d) Any contract with a carrier under this section may  
 11 require such carrier or any of its officers or employees certify-  
 12 ing payments or disbursing funds pursuant to the contract,  
 13 or otherwise participating in carrying out the contract, to  
 14 give surety bond to the United States in such amount as the  
 15 Secretary may deem appropriate.

Contract may require carrier or any of its officers and employees certifying payments or disbursing funds to give surety bond to the United States in such amount as the Secretary may deem appropriate.

16     “(e) (1) No individual designated pursuant to a con-  
 17 tract under this section as a certifying officer shall, in the  
 18 absence of gross negligence or intent to defraud the United  
 19 States, be liable with respect to any payments certified by  
 20 him under this section.

No individual designated pursuant to a contract as a certifying officer will, in the absence of gross negligence or intent to defraud the United States, be liable for payments incorrectly certified by him.

21     “(2) No disbursing officer shall, in the absence of gross  
 22 negligence or intent to defraud the United States, be liable  
 23 with respect to any payment by him under this section if  
 24 it was based upon a voucher signed by a certifying officer  
 25 designated as provided in paragraph (1) of this subsection.

No individual designated pursuant to contract as a disbursing officer will, in the absence of gross negligence or intent to defraud the United States, be liable for any payment if it was based on a voucher signed by a certifying officer.

For purposes of part B, term  
"carrier" means:

(1) with respect to providers of services and other persons, a voluntary association, corporation or partnership or other nongovernmental organization lawfully engaged in providing, paying for, or reimbursing cost of health services under group insurance policies or contracts, medical or hospital service agreements, membership contracts or similar group arrangements in consideration of premiums or other periodic charges, including a health plan sponsored or underwritten by an employee organization; and

(2) with respect to providers of services only, any agency or organization (not described above) with which an agreement is in effect.

The Secretary will, at request of a State made before 7/1/67, enter into agreement with that State to provide coverage under part B for all eligible individuals who are in one of two coverage groups (as specified in 1843(a)).

1 " (f) For purposes of this part, the term 'carrier'  
2 means—

3 " (1) with respect to providers of services and other  
4 persons, a voluntary association, corporation, partner-  
5 ship, or other nongovernmental organization which is  
6 lawfully engaged in providing, paying for, or reimburs-  
7 ing the cost of, health services under group insurance  
8 policies or contracts, medical or hospital service agree-  
9 ments, membership or subscription contracts, or similar  
10 group arrangements, in consideration of premiums or  
11 other periodic charges payable to the carrier, including  
12 a health benefits plan duly sponsored or underwritten by  
13 an employee organization; and

14 " (2) with respect to providers of services only, any  
15 agency or organization (not described in paragraph  
16 (1)) with which an agreement is in effect under section  
17 1816.

18 "STATE AGREEMENTS FOR COVERAGE OF ELIGIBLE INDIVID-  
19 UALS WHO ARE RECEIVING MONEY PAYMENTS UNDER  
20 PUBLIC ASSISTANCE PROGRAMS

21 "SEC. 1843. (a) The Secretary shall, at the request of  
22 a State made before July 1, 1967, enter into an agreement  
23 with such State pursuant to which all eligible individuals  
24 in either of the coverage groups described in subsection (b)  
25 (as specified in the agreement) will be enrolled under the  
26 program established by this part.

1       “(b) An agreement entered into with any State pur-  
 2       suant to subsection (a) may be applicable to either of the  
 3       following coverage groups:

4               “(1) individuals receiving money payments under  
 5       the plan of such State approved under title I or title  
 6       XVI; or

7               “(2) individuals receiving money payments under  
 8       all of the plans of such State approved under titles I,  
 9       IV, X, XIV, and XVI;

10      except that there shall be excluded from any coverage group  
 11      any individual who is entitled to monthly insurance benefits  
 12      under title II or who is entitled to receive an annuity or  
 13      pension under the Railroad Retirement Act of 1937.

14      “(c) For purposes of this section, an individual shall  
 15      be treated as an eligible individual only if he is an eligible  
 16      individual (within the meaning of section 1836) on the date  
 17      an agreement covering him is entered into under subsection  
 18      (a) or he becomes an eligible individual (within the mean-  
 19      ing of such section) at any time after such date and before  
 20      July 1, 1967; and he shall be treated as receiving money  
 21      payments described in subsection (b) if he receives such  
 22      payments for the month in which the agreement is entered  
 23      into or any month thereafter before July 1967.

24      “(d) In the case of any individual enrolled pursuant to  
 25      this section—

Such an agreement may be applicable to: (1) aged recipients of money payments under the plan of such State approved under titles I or XVI of Social Security Act; or (2) aged recipients of money payments under all of the State plans approved under titles I, IV, X, XIV, and XVI (OAA, MAA, Aid to Dependent Children, Aid to the Blind, Aid to the Disabled). Neither group may include any individual entitled to monthly OASI or railroad retirement benefits.

Coverage under an agreement with a State may be provided only for an individual who is eligible on the date the agreement is entered into or who becomes eligible in the period after the date of the agreement and before July 1, 1967.

In the case of an individual enrolled in program under part B pursuant to an agreement between a State and the Secretary: (1) the monthly premium to be paid by the State will be determined under section 1839; (2) his coverage period will begin on July 1, 1966, on the first day of the third month following the month the State agreement is entered into, on the first day of the first month in which he is both an eligible individual and a member of the coverage group specified in the agreement, whichever is latest; (3) his coverage period will end on either the last day of the month in which the State determines he is no longer eligible for the money payments or the last day of the month before the month he becomes entitled to monthly OASI or railroad retirement benefits, whichever occurs first.

"(1) the monthly premium to be paid by the State shall be determined under section 1839 (without any increase under subsection (c) thereof);

"(2) his coverage period shall begin on whichever of the following is the latest:

"(A) July 1, 1966;

"(B) the first day of the third month following the month in which the State agreement is entered into;

"(C) the first day of the first month in which he is both an eligible individual and a member of a coverage group specified in the agreement under this section; or

"(D) such date (not later than July 1, 1967) as may be specified in the agreement; and

"(3) his coverage period attributable to the agreement with the State under this section shall end on the last day of whichever of the following first occurs:

"(A) the month in which he is determined by the State agency to have become ineligible for money payments of a kind specified in the agreement, or

"(B) the month preceding the first month for



which he becomes entitled to monthly benefits under title II or to an annuity or pension under the Railroad Retirement Act of 1937.

“(e) Any individual whose coverage period attributable to the State agreement is terminated pursuant to subsection (d) (3) shall be deemed for purposes of this part (including the continuation of his coverage period under this part) to have enrolled under section 1837 in the initial general enrollment period provided by section 1837 (c).

Any individual whose coverage period attributable to a State agreement is terminated will be deemed to have enrolled in the initial enrollment period.

“(f) With respect to eligible individuals receiving money payments under the plan of a State approved under title I, IV, X, XIV, or XVI, if the agreement entered into under this section so provides, the term ‘carrier’ as defined in section 1842 (f) also includes the State agency, specified in such agreement, which administers or supervises the administration of the plan of such State approved under title I, XVI, or XIX. The agreement shall also contain such provisions as will facilitate the financial transactions of the State and the carrier with respect to deductions, coinsurance, and otherwise, and as will lead to economy and efficiency of operation, with respect to individuals receiving money payments under plans of the State approved under titles I, IV, X, XIV, and XVI.

The term “carrier” also includes, with respect to individuals receiving money payments, and if the agreement so provides, the State agency specified in the agreement which administers the State plan approved under title I, XVI, or XIX. The agreement with the State will also contain provisions to facilitate the financial transactions of the State and the carrier relating to deductions and coinsurance in the interest of economy and efficiency.

Authorizes appropriation from time to time of Government contribution equal to total premiums payable by individuals who have enrolled under part B.

Authorizes appropriation during the fiscal year ending June 30, 1966 to the Trust Fund of an amount equal to \$18 multiplied by the number of individuals (as estimated by the Secretary) who could be covered in July 1966 by the program under part B in order to assure prompt payment of benefits and administrative expenses and to provide a contingency reserve during early months of program.

1 "APPROPRIATIONS TO COVER GOVERNMENT CONTRIBUTIONS  
2 AND CONTINGENCY RESERVE

3 "SEC. 1844. (a) There are authorized to be appro-  
4 priated from time to time, out of any moneys in the Treasury  
5 not otherwise appropriated, to the Federal Supplementary  
6 Health Insurance Benefits Trust Fund, a Government con-  
7 tribution equal to the aggregate premiums payable under  
8 this part.

9 "(b) In order to assure prompt payment of benefits  
10 provided under this part and the administrative expenses  
11 thereunder during the early months of the program estab-  
12 lished by this part, and to provide a contingency reserve,  
13 there is also authorized to be appropriated during the  
14 fiscal year ending June 30, 1966, out of any moneys in  
15 the Treasury not otherwise appropriated, to remain available  
16 through the next fiscal year for repayable advances (without  
17 interest) to the Trust Fund, an amount equal to \$18 multi-  
18 plied by the number of individuals (as estimated by the  
19 Secretary) who could be covered in July 1966 by the insur-  
20 ance program established by this part if they had theretofore  
21 enrolled under this part.

22 "PART C—MISCELLANEOUS PROVISIONS

23 "DEFINITIONS OF SERVICES, INSTITUTIONS, ETC.

24 "SEC. 1861. For purposes of this title—

1 "Spell of Illness

2 "(a) The term 'spell of illness' with respect to any  
3 individual means a period of consecutive days—

4 "(1) beginning with the first day (not included  
5 in a previous spell of illness) (A) on which such  
6 individual is furnished inpatient hospital services or  
7 extended care services, and (B) which occurs in a  
8 month for which he is entitled to benefits under part  
9 A or part B, and

10 "(2) ending with the close of the first period  
11 of 60 consecutive days thereafter on each of which  
12 he is neither an inpatient of a hospital nor an in-  
13 patient of an extended care facility.

14 "Inpatient Hospital Services

15 "(b) The term 'inpatient hospital services' means the  
16 following items and services furnished to an inpatient of a  
17 hospital and (except as provided in paragraph (3)) by  
18 the hospital—

19 "(1) bed and board;

20 "(2) such nursing services and other related serv-  
21 ices, such use of hospital facilities, and such medical  
22 social services as are ordinarily furnished by the hospi-  
23 tal for the care and treatment of inpatients, and such

Defines "spell of illness" as beginning with the first day (not in a previous spell of illness) on which individual is furnished covered inpatient hospital or extended care services and ending with last day of first 60-consecutive-day period during which he was not an inpatient in hospital or extended care facility.

Defines "inpatient hospital services" as services ordinarily furnished by a hospital for care and treatment of its inpatients. Includes diagnostic and therapeutic services furnished under arrangements made by hospital with others who provide the services. Excludes private-duty services of nurses and other attendants, and medical and surgical services of physicians, except services rendered by an intern or resident-in-training under a teaching program approved by the American Medical Association or American Osteopathic Association.

1 drugs, biologicals, supplies, appliances, and equipment,  
 2 for use in the hospital, as are ordinarily furnished by  
 3 such hospital for the care and treatment of inpatients;  
 4 and

5 “(3) such other diagnostic or therapeutic items or  
 6 services, furnished by the hospital or by others under  
 7 arrangements with them made by the hospital, as are  
 8 ordinarily furnished to inpatients either by such hos-  
 9 pital or by others under such arrangements;

10 excluding, however—

11 “(4) medical or surgical services provided by a  
 12 physician, resident, or intern; and

13 “(5) the services of a private-duty nurse or other  
 14 private-duty attendant.

15 Paragraph (4) shall not apply to services provided in the  
 16 hospital by an intern or a resident-in-training under a teach-  
 17 ing program approved by the Council on Medical Education  
 18 of the American Medical Association (or, in the case of an  
 19 osteopathic hospital, approved by the Committee on Hospi-  
 20 tals of the Bureau of Professional Education of the American  
 21 Osteopathic Association).

22 “Inpatient Psychiatric Hospital Services

23 “(c) The term ‘inpatient psychiatric hospital services’  
 24 means inpatient hospital services furnished to an inpatient  
 25 of a psychiatric hospital.

Defines "inpatient psychiatric  
 hospital services" as services  
 furnished to an inpatient of a  
 psychiatric hospital.



1 "Inpatient Tuberculosis Hospital Services

2 "(d) The term 'inpatient tuberculosis hospital services'  
3 means inpatient hospital services furnished to an inpatient  
4 of a tuberculosis hospital.

Defines "inpatient tuberculosis hospital services" as services furnished to an inpatient of a tuberculosis hospital.

5 "Hospital

6 "(e) The term 'hospital' (except for purposes of sec-  
7 tion 1814 (d), subsection (a) (2) of this section, paragraph  
8 (7) of this subsection, and subsections (i) and (n) of this  
9 section) means an institution which—

Defines "hospital" as institution which: (1) is primarily engaged in providing diagnostic and therapeutic or rehabilitation services; (2) maintains clinical records; (3) has bylaws for medical staff; (4) requires every patient to be under the care of a physician; (5) provides 24-hour nursing services under supervision of RN and has a licensed practical nurse or RN on duty at all times; (6) has utilization review plan in effect; (7) is licensed (or meets standards for licensing) pursuant to State or local law; and (8) meets other requirements for accreditation by Joint Commission on Accreditation of Hospitals as Secretary finds necessary for health and safety.

10 "(1) is primarily engaged in providing, by or  
11 under the supervision of physicians, to inpatients (A)  
12 diagnostic services and therapeutic services for medical  
13 diagnosis, treatment, and care of injured, disabled, or  
14 sick persons, or (B) rehabilitation services for the re-  
15 habilitation of injured, disabled, or sick persons;

16 "(2) maintains clinical records on all patients;

17 "(3) has bylaws in effect with respect to its staff  
18 of physicians;

19 "(4) has a requirement that every patient must  
20 be under the care of a physician;

21 "(5) provides 24-hour nursing service rendered  
22 or supervised by a registered professional nurse, and has  
23 a licensed practical nurse or registered professional nurse  
24 on duty at all times;

1           “(6) has in effect a hospital utilization review plan  
2           which meets the requirements of subsection (k) ;

3           “(7) in the case of an institution in any State in  
4           which State or applicable local law provides for the  
5           licensing of hospitals, (A) is licensed pursuant to such  
6           law or (B) is approved, by the agency of such State  
7           or locality responsible for licensing hospitals, as meeting  
8           the standards established for such licensing; and

9           “(8) meets such other requirements as the Sec-  
10          retary finds necessary in the interest of the health and  
11          safety of individuals who are furnished services in the  
12          institution, except that such other requirements may not  
13          be higher than the comparable requirements prescribed  
14          for the accreditation of hospitals by the Joint Commis-  
15          sion on the Accreditation of Hospitals.

For purposes of determining how long an individual is out of a hospital for purposes of ending a spell of illness, institution meeting first element of definition above is a "hospital." In determining whether emergency services are covered, institution considered "hospital" if it meets elements (1), (2), (3), (4), (5) and (7) above.

16       For purposes of subsection (a) (2), such term includes  
17       any institution which meets the requirements of paragraph  
18       (1) of this subsection. For purposes of sections 1814 (d)  
19       (including determination of whether an individual received  
20       inpatient hospital services for purposes of such section), and  
21       subsections (i) and (n) of this section, such term in-  
22       cludes any institution which meets the requirements of para-  
23       graphs (1), (2), (3), (4), (5), and (7) of this subsec-  
24       tion. Notwithstanding the preceding provisions of this sub-  
25       section, such term shall not, except for purposes of subsection

1 (a) (2), include any institution which is primarily for the  
 2 care and treatment of mental diseases or tuberculosis; except  
 3 that for purposes of part A (and so much of this part as  
 4 relates to part A) such term shall include such an institu-  
 5 tion if it is a tuberculosis hospital (as defined in subsection  
 6 (g)), and for purposes of part B (and so much of this part as  
 7 relates to part B) such term shall include such an institution  
 8 if it is a psychiatric hospital (as defined in subsection (f)).  
 9 The term 'hospital' also includes a Christian Science sana-  
 10 torium operated, or listed and certified, by the First Church  
 11 of Christ Scientist, Boston, Massachusetts, but only with  
 12 respect to items and services ordinarily furnished by such  
 13 institution to inpatients, and payment may be made with  
 14 respect to services provided by or in such an institution  
 15 only to the extent and under such conditions, limitations,  
 16 and requirements (in addition to or in lieu of the conditions,  
 17 limitations, and requirements otherwise applicable) as may  
 18 be provided in regulations. For provisions deeming certain  
 19 requirements of this subsection to be met in the case of  
 20 accredited institutions, see section 1865.

#### 21 "Psychiatric Hospital

22 "(f) The term 'psychiatric hospital' means an institu-  
 23 tion which—

24 "(1) is primarily engaged in providing, by or un-

Mental and TB hospitals not covered; except that mental hospitals meeting a specific definition are covered under part B and TB hospitals meeting specific definition are covered under part A.

The term "hospital" also includes a Christian Science sanatorium (but payment to such institution will be made only to the extent and under such conditions as may be provided in regulations) if it is operated, or listed and certified by the First Church of Christ Scientist, Boston, Massachusetts.

Certain requirements of this subsection deemed as met if hospital is accredited.

Defines "psychiatric hospital" as institution which: (1) is primarily engaged in providing psychiatric services for diagnosis and treatment of mentally ill persons; (2) satisfies certain requirements (paragraph (3))

through (8) of subsection (e))  
 in the definition of a "hospital;"  
 (3) maintains records which  
 enable determination of degree  
 and intensity of treatment pro-  
 vided enrollees under part B;  
 (4) meets staffing requirements  
 commensurate with active program  
 of treatment; and (5) is  
 accredited by the Joint  
 Commission on Accreditation of  
 Hospitals.

If an institution meets  
 requirements (1) and (2) above  
 and a distinct part of it meets  
 (3) and (4), and if the  
 institution is accredited or if  
 the distinct part meets require-  
 ments equivalent to such  
 accreditation, as determined  
 by the Secretary, the distinct  
 part will be considered a  
 psychiatric hospital.

1        der the supervision of a physician, psychiatric services  
 2        for the diagnosis and treatment of mentally ill persons;

3        "(2) satisfies the requirements of paragraphs (3)  
 4        through (8) of subsection (e);

5        "(3) maintains clinical records on all patients and  
 6        maintains such records as the Secretary finds to be neces-  
 7        sary to determine the degree and intensity of the treat-  
 8        ment provided to individuals enrolled under the insurance  
 9        program established by part B;

10        "(4) meets such staffing requirements as the Sec-  
 11        retary finds necessary for the institution to carry out an  
 12        active program of treatment for individuals who are fur-  
 13        nished services in the institution; and

14        "(5) is accredited by the Joint Commission on the  
 15        Accreditation of Hospitals.

16        In the case of an institution which satisfies paragraphs (1)  
 17        and (2) of the preceding sentence and which contains a  
 18        distinct part which also satisfies paragraphs (3) and (4) of  
 19        such sentence, such distinct part shall be considered to be a  
 20        'psychiatric hospital' if the institution is accredited by the  
 21        Joint Commission on the Accreditation of Hospitals or if such  
 22        distinct part meets requirements equivalent to such accredita-  
 23        tion requirements as determined by the Secretary.



1 "Tuberculosis Hospital

2 "(g) The term 'tuberculosis hospital' means an institu-  
3 tion which—

4 "(1) is primarily engaged in providing, by or under  
5 the supervision of a physician, medical services for the  
6 diagnosis and treatment of tuberculosis;

7 "(2) satisfies the requirements of paragraphs (3)  
8 through (8) of subsection (e);

9 "(3) maintains clinical records on all patients and  
10 maintains such records as the Secretary finds to be neces-  
11 sary to determine the degree and intensity of the treat-  
12 ment provided to individuals covered by the insurance  
13 program established by part A;

14 "(4) meets such staffing requirements as the Secre-  
15 tary finds necessary for the institution to carry out an  
16 active program of treatment for individuals who are  
17 furnished services in the institution; and

18 "(5) is accredited by the Joint Commission on the  
19 Accreditation of Hospitals.

20 In the case of an institution which satisfies paragraphs (1)  
21 and (2) of the preceding sentence and which contains a  
22 distinct part which also satisfies paragraphs (3) and (4) of  
23 such sentence, such distinct part shall be considered to be a

Defines "TB hospital" as institution which: (1) is primarily engaged in providing medical services for the diagnosis and treatment of TB; (2) satisfies certain requirements (paragraphs (3) through (8) of subsection (e)) in the definition of a "hospital;" (3) maintains records which enable determination of degree and intensity of treatment provided beneficiaries covered by the program established under part A; (4) meets staffing requirements commensurate with active program of treatment; and (5) is accredited by the Joint Commission on Accreditation of Hospitals.

A distinct part of an institution shall be considered a "TB hospital," if the institution meets requirements (1) and (2) above and the distinct part meets requirements (3) and (4), and if the institution is accredited or if the distinct part meets requirements equivalent to such accreditation, as determined by the Secretary.

- 1 'tuberculosis hospital' if the institution is accredited by the
- 2 Joint Commission on the Accreditation of Hospitals or if
- 3 such distinct part meets requirements equivalent to such
- 4 accreditation requirements as determined by the Secretary.

5 "Extended Care Services

Defines "extended care services" as the following furnished to an inpatient of an extended care facility by the facility (with certain exceptions): nursing care furnished by or under supervision of RN; bed and board; drugs and supplies ordinarily furnished by facility for care and treatment of inpatients; physical, occupational or speech therapy furnished by facility or by others under arrangements made by facility; medical social services; services of interns and residents-in-training of hospital with which facility has transfer agreement and under approved teaching program; other diagnostic or therapeutic services of hospital with which such facility has in effect a transfer agreement; and other health services generally provided by such facilities. Any service which would not be covered if furnished to an inpatient of a hospital is excluded.

- 6 "(h) The term 'extended care services' means the fol-
- 7 lowing items and services furnished to an inpatient of an
- 8 extended care facility and (except as provided in paragraphs
- 9 (3) and (6) ) by such extended care facility—

- 10 "(1) nursing care provided by or under the super-
- 11 vision of a registered professional nurse;

- 12 "(2) bed and board in connection with the fur-
- 13 nishing of such nursing care;

- 14 "(3) physical, occupational, or speech therapy
- 15 furnished by the extended care facility or by others
- 16 under arrangements with them made by the facility;

- 17 "(4) medical social services;

- 18 "(5) such drugs, biologicals, supplies, appliances,
- 19 and equipment, furnished for use in the extended care
- 20 facility, as are ordinarily furnished by such facility for
- 21 the care and treatment of inpatients;

- 22 "(6) medical services provided by an intern or resi-
- 23 dent-in-training of a hospital with which the facility has
- 24 in effect a transfer agreement (meeting the requirements
- 25 of subsection (1) ), under a teaching program of such

1 hospital approved as provided in the last sentence of  
 2 subsection (b), and other diagnostic or therapeutic  
 3 services provided by a hospital with which the facility  
 4 has such an agreement in effect; and

5 “(7) such other services necessary to the health  
 6 of the patients as are generally provided by extended  
 7 care facilities;

8 excluding, however, any item or service if it would not be  
 9 included under subsection (b) if furnished to an inpatient  
 10 of a hospital.

11 “Post-Hospital Extended Care Services

12 “(i) The term ‘post-hospital extended care services’  
 13 means extended care services furnished an individual after  
 14 transfer from a hospital in which he was an inpatient for not  
 15 less than 3 consecutive days before his discharge from the  
 16 hospital in connection with such transfer. For purposes of  
 17 the preceding sentence, items and services shall be deemed  
 18 to have been furnished to an individual after transfer from a  
 19 hospital, and he shall be deemed to have been an inpatient  
 20 in the hospital immediately before transfer therefrom, if  
 21 he is admitted to the extended care facility within 14  
 22 days after discharge from such hospital, and such individual  
 23 shall be deemed not to have been discharged from the  
 24 extended care facility if readmitted thereto within 14 days  
 25 after discharge therefrom.

Defines "post-hospital extended care services" as services furnished after transfer from a hospital in which an individual was an inpatient for at least 3 consecutive days before his discharge. An individual will be deemed to have been transferred from a hospital if he is admitted to the extended care facility within 14 days after discharge from such hospital. An individual will be deemed not to have been discharged from an extended care facility if he is readmitted to such facility within 14 days after discharge.

# “Extended Care Facility

Defines "extended care facility" as institution (or part thereof) which has transfer agreement with one or more participating hospitals and which: (1) primarily provides skilled nursing services for persons requiring medical or nursing care or rehabilitation services; (2) has policies which are developed with advice of and periodically reviewed by professional group (including at least 1 physician and at least 1 RN) to govern services provided; (3) has physician, RN or medical staff responsible for execution of such policies; (4) requires that the health care of every patient be under supervision of physician and provides for emergency services by physician; (5) maintains clinical records on all patients; (6) provides 24-hour nursing services sufficient to meet needs in accordance with facility policies; (7) provides appropriate methods for dispensing and administering drugs and biologicals; (8) has utilization review plan; (9) is licensed (or meets standards for licensing) pursuant to State or local law; and (1) meets other conditions relating to health, safety or physical facilities as Secretary finds necessary.

“(j) The term ‘extended care facility’ means (except for purposes of subsection (a) (2)) an institution (or a distinct part of an institution) which has in effect a transfer agreement (meeting the requirements of subsection (1)) with one or more hospitals having agreements in effect under section 1866 and which—

“(1) is primarily engaged in providing to inpatients (A) skilled nursing care and related services for patients who require medical or nursing care, or (B) rehabilitation services for the rehabilitation of injured, disabled, or sick persons;

“(2) has policies, which are developed with the advice of (and with provision of review of such policies from time to time by) a group of professional personnel, including one or more physicians and one or more registered professional nurses, to govern the skilled nursing care and related medical or other services it provides;

“(3) has a physician, a registered professional nurse, or a medical staff responsible for the execution of such policies;

“(4) (A) has a requirement that the health care of every patient must be under the supervision of a physician, and (B) provides for having a physician available to furnish necessary medical care in case of emergency;



1           “(5) maintains clinical records on all patients;

2           “(6) provides 24-hour nursing service which is  
3           sufficient to meet nursing needs in accordance with the  
4           policies developed as provided in paragraph (2), and  
5           has at least one registered professional nurse employed  
6           full time;

7           “(7) provides appropriate methods and procedures  
8           for the dispensing and administering of drugs and  
9           biologicals;

10          “(8) has in effect a utilization review plan which  
11          meets the requirements of subsection (k) ;

12          “(9) in the case of an institution in any State in  
13          which State or applicable local law provides for the  
14          licensing of institutions of this nature, (A) is licensed  
15          pursuant to such law, or (B) is approved, by the agency  
16          of such State or locality responsible for licensing institu-  
17          tions of this nature, as meeting the standards estab-  
18          lished for such licensing; and

19          “(10) meets such other conditions relating to the  
20          health and safety of individuals who are furnished serv-  
21          ices in such institution or relating to the physical facili-  
22          ties thereof as the Secretary may find necessary;

23          except that such term shall not (other than for purposes of  
24          subsection (a) (2) ) include any institution which is pri-  
25          marily for the care and treatment of mental diseases or tuber-

The term will not include any institution primarily for care of mental disease or TB, except for purposes of ending a spell of illness. For the latter purpose any institution which meets requirement (1) is considered an extended care facility.

1 culosis. For purposes of subsection (a) (2), such term  
 2 includes any institution which meets the requirements of  
 3 paragraph (1) of this subsection.

4 "Utilization Review

5 "(k) A utilization review plan of a hospital or extended  
 6 care facility shall be considered sufficient if it is applicable  
 7 to services furnished by the institution to individuals entitled  
 8 to insurance benefits under this title and if it provides—

9 "(1) for the review, on a sample or other basis,  
 10 of admissions to the institution, the duration of stays  
 11 therein, and the professional services (including drugs  
 12 and biologicals) furnished, (A) with respect to the  
 13 medical necessity of the services, and (B) for the pur-  
 14 pose of promoting the most efficient use of available  
 15 health facilities and services;

16 "(2) for such review to be made by either (A)  
 17 a staff committee of the institution composed of two  
 18 or more physicians, with or without participation of  
 19 other professional personnel, or (B) a group outside the  
 20 institution which is similarly composed and (i) which  
 21 is established by the local medical society and some or  
 22 all of the hospitals and extended care facilities in the  
 23 locality, or (ii) if (and for as long as) there has not  
 24 been established such a group which serves such insti-  
 25 tution, which is established in such other manner as  
 26 may be approved by the Secretary;

Utilization review plan of a  
 hospital or extended care  
 facility acceptable if  
 applicable to services  
 furnished beneficiaries and  
 if it provides (1) for review,  
 on a sample or other basis,  
 from standpoint of medical  
 necessity, of admissions,  
 duration of stays and pro-  
 fessional services; (2) for  
 such review to be made by  
 staff committee of institution  
 which includes 2 or more  
 physicians or by similarly com-  
 posed group outside the  
 institution which may be  
 established by local medical  
 society and by some or all of  
 hospitals or extended care  
 facilities in locality; (3) for  
 such review, in each case of a  
 continuous period of extended  
 duration, as of such days  
 (which may differ for different  
 classes of cases) as may be  
 specified in regulations, to  
 be made no later than 1  
 week following such day;  
 (4) for prompt notification  
 to institution, individual  
 and his physician (after  
 opportunity for consultation  
 has been provided such  
 physician) in case of finding  
 that further stay in institu-  
 tion is not medically  
 necessary.

1           “(3) for such review, in each case of inpatient  
2   hospital services or extended care services furnished to  
3   such an individual during a continuous period of ex-  
4   tended duration, as of such days of such period (which  
5   may differ for different classes of cases) as may be speci-  
6   fied in regulations, with such review to be made as  
7   promptly as possible, after each day so specified, and  
8   in no event later than one week following such day;  
9   and

10           “(4) for prompt notification to the institution, the  
11   individual, and his attending physician of any finding  
12   (made after opportunity for consultation to such attend-  
13   ing physician) by the physician members of such com-  
14   mittee or group that any further stay in the institution  
15   is not medically necessary.

16   The review committee must be composed as provided in  
17   clause (B) of paragraph (2) rather than as provided in  
18   clause (A) of such paragraph in the case of any hospital  
19   or extended care facility where, because of the small size of  
20   the institution, or (in the case of an extended care facility)  
21   because of lack of an organized medical staff, or for such  
22   other reason or reasons as may be included in regulations,  
23   it is impracticable for the institution to have a properly  
24   functioning staff committee for the purposes of this sub-  
25   section.

Utilization review plan must provide for review by group outside institution where, because of small size or, in the case of an extended care facility, because of lack of an organized medical staff (or for other reasons as may be included in regulations), it is impracticable for institution to have properly functioning staff committee.

1           “Agreements for Transfer Between Extended Care  
2                       Facilities and Hospitals

Hospital and extended care facility deemed to have transfer agreement if written agreement between them provides: (1) there will be transfer of patients between the facilities whenever medically appropriate; and (2) there will be transfer between facilities of medical and other information needed for patients care.

“(1) A hospital and an extended care facility shall be considered to have a transfer agreement in effect if, by reason of a written agreement between them or (in case the two institutions are under common control) by reason of a written undertaking by the person or body which controls them, there is reasonable assurance that—

9           “(1) transfer of patients will be effected between  
10       the hospital and the extended care facility whenever  
11       such transfer is medically appropriate as determined by  
12       the attending physician; and

13           “(2) there will be interchange of medical and  
14           other information necessary or useful in the care and  
15           treatment of individuals transferred between the institu-  
16           tions, or in determining whether such individuals can  
17           be adequately cared for otherwise than in either of  
18           such institutions.

19 Any extended care facility which does not have such an  
20 agreement in effect, but which is found by a State agency  
21 (of the State in which such facility is situated) with which  
22 an agreement under section 1864 is in effect (or, in the  
23 case of a State in which no such agency has an agreement  
24 under section 1864, by the Secretary) to have attempted  
25 in good faith to enter into such an agreement with a hos-

An extended care facility may be deemed to have an agreement in effect if to do so is in the public interest and the appropriate State agency of the State in which the facility is located, or the Secretary (in the case of a State which does not have an agreement with the Secretary under section 1864) finds that the facility attempted in good faith to enter into a transfer agreement with a hospital.



1 pital sufficiently close to the facility to make feasible the  
 2 transfer between them of patients and the information re-  
 3 ferred to in paragraph (2), shall be considered to have such  
 4 an agreement in effect if and for so long as such agency (or  
 5 the Secretary, as the case may be) finds that to do so is in  
 6 the public interest and essential to assuring extended care  
 7 services for persons in the community who are eligible for  
 8 payments with respect to such services under this title.

9 "Home Health Services

10 "(m) The term 'home health services' means the fol-  
 11 lowing items and services furnished to an individual, who is  
 12 under the care of a physician, by a home health agency or by  
 13 others under arrangements with them made by such agency,  
 14 under a plan (for furnishing such items and services to such  
 15 individual) established and periodically reviewed by a  
 16 physician, which items and services are, except as provided  
 17 in paragraph (7), provided on a visiting basis in a place of  
 18 residence used as such individual's home—

19 "(1) part-time or intermittent nursing care pro-  
 20 vided by or under the supervision of a registered pro-  
 21 fessional nurse;

22 "(2) physical, occupational, or speech therapy;

23 "(3) medical social services under the direction of  
 24 a physician;

Defines "home health services" as services and medical supplies furnished in patient's residence on a visiting basis by home health agency (or by others under arrangements made by such agency with them) under plan established and supervised by physician; includes part-time nursing care by or under supervision of RN; physical, occupational and speech therapy; medical social services; part-time home health aide services; and medical services of interns and residents-in-training under approved teaching program of hospital with which agency is affiliated. Includes above items and services provided on outpatient basis at hospital, extended care facility, or rehabilitation center when necessary equipment is of such nature it cannot readily be taken to patient's residence. Excludes drugs and biologicals, and any item or service which would not be covered if furnished to an inpatient of a hospital.

1           “(4) to the extent permitted in regulations, part-  
2           time or intermittent services of a home health aide;

3           “(5) medical supplies (other than drugs and bio-  
4           logicals) , and the use of medical appliances, while under  
5           such a plan;

6           “(6) in the case of a home health agency which  
7           is affiliated or under common control with a hospital,  
8           medical services provided by an intern or resident-in-  
9           training of such hospital, under a teaching program  
10          of such hospital approved as provided in the last sen-  
11          tence of subsection (b) ; and

12          “(7) any of the foregoing items and services which  
13          are provided on an outpatient basis, under arrangements  
14          made by the home health agency, at a hospital or  
15          extended care facility, or at a rehabilitation center which  
16          meets such standards as may be prescribed in regula-  
17          tions, and—

18               “(A) the furnishing of which involves the use  
19               of equipment of such a nature that the items and  
20               services cannot readily be made available to the in-  
21               dividual in such place of residence, or

22               “(B) which are furnished at such facility while  
23               he is there to receive any such item or service de-  
24               scribed in clause (A) ,

1 but not including transportation of the individual in  
 2 connection with any such item or service;  
 3 excluding, however, any item or service if it would not be  
 4 included under subsection (b) if furnished to an inpatient  
 5 of a hospital.

#### 6 "Post-Hospital Home Health Services

7 "(n) The term 'post-hospital home health services'  
 8 means home health services furnished an individual within  
 9 one year after his most recent discharge from a hospital of  
 10 which he was an inpatient for not less than 3 consecutive  
 11 days or (if later) within one year after his most recent dis-  
 12 charge from an extended care facility of which he was an  
 13 inpatient entitled to payment under part A for post-hospital  
 14 extended care services, but only if the plan covering the  
 15 home health services (as described in subsection (m)) is  
 16 established within 14 days after his discharge from such  
 17 hospital or extended care facility.

#### 18 "Home Health Agency

19 "(o) The term 'home health agency' means a public  
 20 agency or private organization, or a subdivision of such an  
 21 agency or organization, which—

22 "(1) is primarily engaged in providing skilled  
 23 nursing services and other therapeutic services;

24 "(2) has policies, established by a group of pro-

Defines "post-hospital home health services" as services furnished under a plan (established within 14 days after discharge from a hospital) and within one year after the patient's most recent discharge from a hospital (in which he was an inpatient for at least 3 consecutive days) or, if later, within one year after most recent discharge from an extended care facility of which he was an inpatient entitled to payment under part A.

Defines "home health agency" as a public or private organization which: (1) primarily provides skilled nursing or therapeutic services; (2) has policies established by professional group (including physicians and RN) to govern services and provides for supervision of such services by physician or RN; (3) maintains clinical records; (4) is licensed (or meets standards for licensing) pursuant to State or local law; (5) meets other conditions found by Secretary necessary for health and safety.

1      fessional personnel (associated with the agency or orga-  
 2      nization) , including one or more physicians and one or  
 3      more registered professional nurses, to govern the serv-  
 4      ices (referred to in paragraph (1) ) which it provides,  
 5      and provides for supervision of such services by a phy-  
 6      sician or registered professional nurse;

7      “(3) maintains clinical records on all patients;

8      “(4) in the case of an agency or organization in  
 9      any State in which State or applicable local law provides  
 10     for the licensing of agencies or organizations of this  
 11     nature, (A) is licensed pursuant to such law, or (B) is  
 12     approved, by the agency of such State or locality re-  
 13     sponsible for licensing agencies or organizations of this  
 14     nature, as meeting the standards established for such  
 15     licensing; and

16     “(5) meets such other conditions of participation  
 17     as the Secretary may find necessary in the interest of  
 18     the health and safety of individuals who are furnished  
 19     services by such agency or organization;

20     except that such term shall not include a private organiza-  
 21     tion which is not a nonprofit organization exempt from  
 22     Federal income taxation under section 501 of the Internal  
 23     Revenue Code of 1954 (or a subdivision of such organiza-  
 24     tion) unless it is licensed pursuant to State law and it meets  
 25     such additional standards and requirements as may be pre-

The term "home health agency" also includes those private organizations which are not nonprofit which are licensed under State law and which meet such additional standards and requirements as may be prescribed in regulations, except that for purposes of part A such term does not include any agency or organization which is primarily for care and treatment of mental disease.



1 scribed in regulations; and except that for purposes of part A  
 2 such term shall not include any agency or organization which  
 3 is primarily for the care and treatment of mental diseases.

4 "Outpatient Hospital Diagnostic Services

5 "(p) The term 'outpatient hospital diagnostic services'  
 6 means diagnostic services—

7 "(1) which are furnished to an individual as an  
 8 outpatient by a hospital or by others under arrange-  
 9 ments with them made by a hospital; and

10 "(2) which are ordinarily furnished by such hos-  
 11 pital (or by others under such arrangements) to its  
 12 outpatients for the purpose of diagnostic study;  
 13 excluding, however—

14 "(3) any item or service if it would not be included  
 15 under subsection (b) if furnished to an inpatient of a  
 16 hospital; and

17 "(4) any services furnished under such arrange-  
 18 ments unless furnished in the hospital or in other  
 19 facilities operated by or under the supervision of the hos-  
 20 pital or its organized medical staff.

21 "Physicians' Services

22 "(q) The term 'physicians' services' means professional  
 23 services performed by physicians, including surgery, consul-  
 24 tation, and home, office, and institutional calls (but not

J. 35-001—6

Defines "outpatient hospital diagnostic services" as services ordinarily furnished to outpatients for purposes of diagnostic study by the hospital or by others under arrangements made by the hospital, provided that services are furnished in facilities supervised by the hospital or its organized medical staff and furnished by or under the responsibility of the hospital's medical staff. Excludes any service which would not be covered if furnished to an inpatient.

Defines "physicians' services" as physicians' professional services, including surgery, consultation, and home, office, and institutional calls. Excludes services provided by an intern or resident-in-training under an approved teaching program.

1 including services described in the last sentence of subsection  
2 (b) ).

3 "Physician

Defines "physician" as person  
licensed by State to practice  
medicine and surgery  
(including osteopathy).

4 "(r) The term 'physician', when used in connection  
5 with the performance of any function or action, means an  
6 individual legally authorized to practice medicine and surgery  
7 by the State in which he performs such function or action  
8 (including a physician within the meaning of section 1101  
9 (a) (7) ).

10 "Medical and Other Health Services

Defines "medical and other  
health services" as the fol-  
lowing items or services  
(unless they otherwise con-  
stitute inpatient hospital,  
extended care, home health,  
or physicians' services):  
(1) diagnostic x-ray,  
laboratory and other tests;  
(2) x-ray, radium, and radio-  
active isotope therapy,  
including materials and serv-  
ices of technicians; (3)  
surgical dressings and devices  
for reduction of fractures and  
dislocations; (4) rental of  
durable medical equipment used  
in patient's residence; (5)  
ambulance service, to the  
extent provided in regulations;  
(6) prosthetic devices (other  
than dental) which replace all  
or part of an internal body  
organ; and (7) limb, back, and  
neck braces and artificial  
limbs and eyes.

11 "(s) The term 'medical and other health services' means  
12 any of the following items or services (unless they would  
13 otherwise constitute inpatient hospital services, extended  
14 care services, home health services, or physicians' services) :  
15 "(1) diagnostic X-ray and laboratory tests, elec-  
16 trocardiograms, basal metabolism readings, electroen-  
17 cephalograms, and other diagnostic tests;  
18 "(2) X-ray, radium, and radioactive isotope  
19 therapy, including materials and services of technicians;  
20 "(3) surgical dressings, and splints, casts, and other  
21 devices used for reduction of fractures and dislocations;  
22 "(4) rental of durable medical equipment, includ-  
23 ing iron lungs, oxygen tents, hospital beds, and wheel-  
24 chairs used in the patient's home (including an institu-  
25 tion used as his home) ;

1           “(5) ambulance service where the use of other  
2       methods of transportation is contraindicated by the indi-  
3       vidual’s condition, but only to the extent provided in  
4       regulations;

5           “(6) prosthetic devices (other than dental) which  
6       replace all or part of an internal body organ, including  
7       replacement of such devices; and

8           “(7) leg, arm, back, and neck braces, and artifi-  
9       cial legs, arms, and eyes, including replacements if re-  
10      quired because of a change in the patient’s physical  
11      condition.

12                   “Drugs and Biologicals

13          “(t) The term ‘drugs’ and the term ‘biologicals’, except  
14      for purposes of subsection (m) (5) of this section, include  
15      only such drugs and biologicals, respectively, as are included  
16      in the United States Pharmacopoeia or the National Formu-  
17      lary, or in New Drugs or Accepted Dental Remedies (ex-  
18      cept for any drugs and biologicals unfavorably evaluated  
19      therein), or as are approved by the pharmacy and drug  
20      therapeutics committee (or equivalent committee) of the  
21      medical staff of the hospital furnishing such drugs and  
22      biologicals.

Defines "drugs" and "biologi-  
cals" (except for purposes of  
the exclusion of drugs and  
biologicals under home health  
services) as those included in  
the U.S. Pharmacopoeia or  
National Formulary, New Drugs,  
Accepted Dental Remedies  
(except for those unfavorably  
evaluated therein), or  
approved by the pharmacy and  
drug therapeutics committee of  
the hospital's medical staff.

23                   “Provider of Services

24          “(u) The term ‘provider of services’ means a hospital,  
25      extended care facility, or home health agency.

Defines "provider of services"  
as hospital, extended care  
facility or home health agency.

1

## "Reasonable Cost

Defines "reasonable cost" of any services as the amount determined in accordance with regulations but Secretary must consider reimbursement principles developed by national organizations or established prepayment organizations. The regulations must provide that no more or no less of both the direct and indirect costs for individuals covered by the insurance programs be borne by the programs. Regulations may provide for determination of costs on a per diem, per unit, per capita or other basis, may provide for using different methods in different circumstances, for the use of estimates of costs of particular items or services, and may provide for the use of charges or a percentage of charges where this method reasonably reflects costs.

2       “(v) (1) The reasonable cost of any services shall  
3 be determined in accordance with regulations establishing  
4 the method or methods to be used, and the items to be  
5 included, in determining such costs for various types or  
6 classes of institutions, agencies, and services; except that in  
7 any case to which paragraph (2) or (3) applies, the amount  
8 of the payment determined under such paragraph with  
9 respect to the services involved shall be considered the  
10 reasonable cost of such services. In prescribing the  
11 regulations referred to in the preceding sentence, the  
12 Secretary shall consider, among other things, the principles  
13 generally applied by national organizations or established  
14 prepayment organizations (which have developed such prin-  
15 ciples) in computing the amount of payment, to be made by  
16 persons other than the recipients of services, to providers of  
17 services on account of services furnished to such recipients  
18 by such providers. Such regulations may provide for de-  
19 termination of the costs of services on a per diem, per  
20 unit, per capita, or other basis, may provide for using  
21 different methods in different circumstances, may provide  
22 for the use of estimates of costs of particular items or serv-  
23 ices, and may provide for the use of charges or a percentage  
24 of charges where this method reasonably reflects the costs.  
25 Such regulations shall (A) take into account both direct and



1 indirect costs of providers of services in order that, under the  
 2 methods of determining costs, the costs with respect to in-  
 3 dividuals covered by the insurance programs established by  
 4 this title will not be borne by individuals not so covered, and  
 5 the costs with respect to individuals not so covered will not  
 6 be borne by such insurance programs, and (B) provide for  
 7 the making of suitable retroactive corrective adjustments  
 8 where, for a provider of services for any fiscal period, the  
 9 aggregate reimbursement produced by the methods of deter-  
 10 mining costs proves to be either inadequate or excessive.

11 “(2) (A) If the bed and board furnished as part of  
 12 inpatient hospital services (including inpatient tuberculosis  
 13 hospital services), inpatient psychiatric hospital services, or  
 14 post-hospital extended care services is in accommodations  
 15 more expensive than semi-private accommodations, the  
 16 amount taken into account for purposes of payment under  
 17 this title with respect to such services may not exceed an  
 18 amount equal to the reasonable cost of such services if fur-  
 19 nished in such semi-private accommodations unless the more  
 20 expensive accommodations were required for medical reasons.

21 “(B) Where a provider of services which has an agree-  
 22 ment in effect under this title furnishes to an individual items  
 23 or services which are in excess of or more expensive than the  
 24 items or services with respect to which payment may be  
 25 made under part A or part B, as the case may be, the Secre-

If patient receives services in accommodations more expensive than semi-private accommodations, payments limited to cost of semi-private accommodations unless more expensive accommodations were medically necessary.

If patient receives services more expensive than those for which payment can be made, Secretary can pay no more than reasonable cost of services that can be paid for.

1 tary shall take into account for purposes of payment to such  
 2 provider of services only the equivalent of the reasonable cost  
 3 of the items or services with respect to which such payment  
 4 may be made.

If patient does not request but is placed in other than, but not more expensive than, semi-private accommodations for a reason Secretary determines is not consistent with program's purpose, payment shall equal cost of services for which payment could otherwise be made minus difference between customary charges for semi-private and ward accommodations.

5       “(3) If the bed and board furnished as part of inpatient  
 6 hospital services (including inpatient tuberculosis hospital  
 7 services), inpatient psychiatric hospital services, or post-  
 8 hospital extended care services is in accommodations other  
 9 than, but not more expensive than, semi-private accommoda-  
 10 tions and the use of such other accommodations rather than  
 11 semi-private accommodations was neither at the request of  
 12 the patient nor for a reason which the Secretary determines is  
 13 consistent with the purposes of this title, the amount of the  
 14 payment with respect to such bed and board under part A  
 15 or part B, as the case may be, shall be the reasonable cost of  
 16 such bed and board furnished in semi-private accommodations  
 17 (determined pursuant to paragraph (1)) minus the differ-  
 18 ence between the charge customarily made by the hospital or  
 19 extended care facility for bed and board in semi-private ac-  
 20 commodatons and the charge customarily made by it for bed  
 21 and board in the accommodations furnished.

Defines "semi-private accommodations" as two-bed, three-bed, or four-bed accommodations.

22       “(4) For purposes of this subsection, the term ‘semi-  
 23 private accommodations’ means two-bed, three-bed, or four-  
 24 bed accommodations.

1 "Arrangements for Certain Services

2 "(w) The term 'arrangements' is limited to arrange-  
 3 ments under which receipt of payment by the hospital,  
 4 extended care facility, or home health agency (whether in  
 5 its own right or as agent), with respect to services for which  
 6 an individual is entitled to have payment made under this  
 7 title, discharges the liability of such individual or any other  
 8 person to pay for the services.

Defines "arrangements" as those under which receipt of payment by a participating provider of services discharges all financial liability for the services.

9 "State and United States

10 "(x) The terms 'State' and 'United States' have the  
 11 meaning given to them by subsections (h) and (i), respec-  
 12 tively, of section 210.

"State" and "United States" have the same meaning as when used in Title II of Social Security Act, i.e., the 50 States, District of Columbia, Puerto Rico, Virgin Islands, Guam, and American Samoa.

13 "EXCLUSIONS FROM COVERAGE

14 "SEC. 1862. (a) Notwithstanding any other provision  
 15 of this title, no payment may be made under part A or part  
 16 B for any expenses incurred for items or services—

No payment may be made under Part A or Part B for any following expenses incurred for items and services: (1)

17 "(1) which are not reasonable and necessary for  
 18 the diagnosis or treatment of illness or injury or to im-  
 19 prove the functioning of a malformed body member;

necessary for diagnosis or treatment of illness or injury; (2) for which an individual has no legal obligation to pay and which no other person (because of membership in a prepayment plan or otherwise) has a legal obligation to provide or pay for; (3) which are paid for by a governmental entity; (4) which are not provided within the U.S.; (5) which are required as a result of war or act of war occurring after the effective date of coverage; (6) personal comfort items; (7) routine physical checkups, eyeglasses or hearing aids or examinations

20 "(2) for which the individual furnished such items  
 21 or services has no legal obligation to pay, and which no  
 22 other person (by reason of such individual's membership  
 23 in a prepayment plan or otherwise) has a legal obliga-  
 24 tion to provide or pay for;

therefor, or immunizations;  
 (8) orthopedic shoes and other  
 supportive devices for the  
 feet; (9) custodial care; (10)  
 services for or in connection  
 with cosmetic surgery (except  
 for prompt repair of accidental  
 injury); or (11) where expenses  
 constitute charges by immediate  
 relatives or members of house-  
 hold of the patient.

"(3) which are paid for directly or indirectly by a  
 governmental entity (other than under this Act), ex-  
 cept in such cases as the Secretary may specify;

"(4) which are not provided within the United  
 States;

"(5) which are required as a result of war, or of  
 an act of war, occurring after the effective date of such  
 individual's current coverage under such part;

"(6) which constitute personal comfort items;

"(7) where such expenses are for routine physical  
 checkups, eyeglasses or eye examinations for the pur-  
 pose of prescribing, fitting, or changing eyeglasses,  
 hearing aids or examinations therefor, or immunizations;

"(8) where such expenses are for orthopedic shoes  
 or other supportive devices for the feet;

"(9) where such expenses are for custodial care;

"(10) where such expenses are for cosmetic sur-  
 gery or are incurred in connection therewith, except as  
 required for the prompt repair of accidental injury or  
 for improvement of the functioning of a malformed body  
 member; or

"(11) where such expenses constitute charges im-  
 posed by immediate relatives of such individual or  
 members of his household.

"(b) Payment under this title may not be made with

No payment for any item or  
 service to the extent that



1 respect to any item or service to the extent that payment has  
 2 been made, or can reasonably be expected to be made (as  
 3 determined in accordance with regulations), with respect to  
 4 such item or service, under a workmen's compensation law or  
 5 plan of the United States or a State. Any payment under  
 6 this title with respect to any item or service shall be con-  
 7 ditioned on reimbursement to the appropriate Trust Fund  
 8 established by this title when notice or other information is  
 9 received that payment for such item or service has been made  
 10 under such a law or plan.

payment has been, or can reasonably be expected to be made, under a workmen's compensation law or plan of U.S. or a State.

11 "CONSULTATION WITH STATE AGENCIES AND OTHER ORGA-  
 12 NIZATIONS TO DEVELOP CONDITIONS OF PARTICIPATION  
 13 FOR PROVIDERS OF SERVICES

14 "SEC. 1863. In carrying out his functions, relating to  
 15 determination of conditions of participation by providers of  
 16 services, under subsections (e) (8), (f) (4), (g) (4),  
 17 (j) (10), and (o) (5) of section 1861, the Secretary shall  
 18 consult with the Health Insurance Benefits Advisory Council  
 19 established by section 1867, appropriate State agencies, and  
 20 recognized national listing or accrediting bodies, and may  
 21 consult with appropriate local agencies. Such conditions  
 22 prescribed under any of such subsections may be varied  
 23 for different areas or different classes of institutions or agen-  
 24 cies and may, at the request of a State, provide (subject,  
 25 in the case of hospitals, to the limitation provided in section

Secretary required to consult with HIB Advisory Council, State agencies, and national listing or accrediting bodies and may consult with appropriate local agencies in prescribing such conditions for participation as may be necessary for health and safety. Conditions may be varied for different areas or classes of institutions, and may be set higher for a State at its request (but, in the case of hospitals, not higher than accreditation requirements of Joint Commission on Accreditation of Hospitals).

1 1861 (e) (8) ) higher requirements for such State than for  
2 other States.

3 "USE OF STATE AGENCIES TO DETERMINE COMPLIANCE  
4 BY PROVIDERS OF SERVICES WITH CONDITIONS OF  
5 PARTICIPATION

Secretary shall use State agencies or appropriate local agencies for purposes of determining whether an institution is a provider of services, and he may accept findings of such agencies as to eligibility of providers to participate.

6 "SEC. 1864. (a) The Secretary shall make an agree-  
7 ment with any State which is able and willing to do so under  
8 which the services of the State health agency or other appro-  
9 priate State agency (or the appropriate local agencies) will  
10 be utilized by him for the purpose of determining whether an  
11 institution therein is a hospital or extended care facility, or  
12 whether an agency therein is a home health agency. To the  
13 extent that the Secretary finds it appropriate, an institution  
14 or agency which such a State (or local) agency certifies is a  
15 hospital, extended care facility, or home health agency (as  
16 those terms are defined in section 1861) may be treated as  
17 such by the Secretary. The Secretary may also, pursuant to  
18 agreement, utilize the services of State health agencies and  
19 other appropriate State agencies (and the appropriate local  
20 agencies) to do any one or more of the following: (1) to  
21 provide consultative services to institutions or agen-  
22 cies to assist them (A) to establish and maintain fiscal  
23 records necessary for purposes of this title, or otherwise to  
24 qualify as hospitals, extended care facilities, or home health  
25 agencies, or (B) to provide information which may be nec-

Secretary may also use State and local agencies (1) to provide consultative services to providers to assist them (A) to establish and maintain fiscal records and to qualify for participation; (B) provide information necessary to determine what benefits are payable, and (2) to provide consultative services to assist in establishing and evaluating effectiveness of utilization review procedures.

1 essary to permit determination under this title as to whether  
 2 payments are due and the amounts thereof, and (2) to pro-  
 3 vide consultative services to institutions, agencies, or organi-  
 4 zations to assist in the establishment of utilization review  
 5 procedures meeting the requirements of section 1861 (k) and  
 6 in evaluating their effectiveness.

7 “(b) The Secretary shall pay any such State, in  
 8 advance or by way of reimbursement, as may be provided in  
 9 the agreement with it (and may make adjustments in such  
 10 payments on account of overpayments or underpayments  
 11 previously made), for the reasonable cost of performing the  
 12 functions specified in subsection (a), and for the Federal  
 13 Hospital Insurance Trust Fund’s fair share of the costs  
 14 attributable to the planning and other efforts directed toward  
 15 coordination of activities in carrying out its agreement and  
 16 other activities related to the provision of services similar to  
 17 those for which payment may be made under part A, or re-  
 18 lated to the facilities and personnel required for the provision  
 19 of such services, or related to improving the quality of such  
 20 services.

#### 21 “EFFECT OF ACCREDITATION

22 “SEC. 1865. An institution shall be deemed to meet the  
 23 requirements of the numbered paragraphs of section 1861 (e)  
 24 (except paragraph (6) thereof) if such institution is accred-  
 25 ited as a hospital by the Joint Commission on the Accredita-

States reimbursed for costs of activities performed and for fair share of State's costs attributable to planning and other efforts directed toward coordination of State's own programs with program provided for under Part A.

Hospital accredited by Joint Commission deemed to meet all conditions of participation save utilization review requirement. If such Commission requires utilization review plan (or another requirement serving same purpose) for accreditation, Secretary authorized to find that accredited hospitals meet all conditions for participation.

Secretary may also accept findings of American Osteopathic Association or any other national accrediting body other than Joint Commission as to the eligibility of providers to participate.

Provider qualified to participate and eligible for payment if it files agreement with Secretary not to charge for covered services and to make adequate provision for refund of erroneous charges. Provider would charge individual for amount of deductibles and co-insurance, and for extra services supplied at patient's request.

tion of Hospitals. If such Commission, as a condition for accreditation of a hospital, requires a utilization review plan or imposes another requirement which serves substantially the same purpose, the Secretary is authorized to find that all institutions so accredited by the Commission comply also with section 1861 (e) (6). In addition, if the Secretary finds that accreditation of an institution or agency by the American Osteopathic Association or any other national accreditation body provides reasonable assurance that any or all of the conditions of section 1861 (e), (j), or (o), as the case may be, are met, he may, to the extent he deems it appropriate, treat such institution or agency as meeting the condition or conditions with respect to which he made such finding.

#### "AGREEMENTS WITH PROVIDERS OF SERVICES

"SEC. 1866. (a) (1) Any provider of services shall be qualified to participate under this title and shall be eligible for payments under this title if it files with the Secretary an agreement—

"(A) not to charge, except as provided in paragraph (2), any individual or any other person for items or services for which such individual is entitled to have payment made under this title (or for which he would be so entitled if such provider of services had complied with the procedural and other requirements under or pursuant to this title or for which such provider



1 is paid pursuant to the provisions of section 1814 (e)  
2 or section 1835 (c) ), and

3 “(B) to make adequate provision for return (or  
4 other disposition, in accordance with regulations) of  
5 any moneys incorrectly collected from such individual  
6 or other person.

7 “(2) (A) A provider of services may charge such in-  
8 dividual or other person (i) the amount of any deduction  
9 imposed pursuant to section 1813 (a) (1) or (a) (2) or  
10 section 1833 (b) with respect to such items and services  
11 (not in excess of the amount customarily charged for such  
12 items and services by such provider), and (ii) an amount  
13 equal to 20 per centum of the reasonable charges for such  
14 items and services (not in excess of 20 per centum of the  
15 amount customarily charged for such items and services by  
16 such provider) for which payment is made under part B.  
17 In the case of items and services described in section 1833  
18 (c), clause (ii) of the preceding sentence shall be applied  
19 by substituting for 20 percent the proportion which is appro-  
20 priate under such section.

21 “(B) Where a provider of services has furnished, at the  
22 request of such individual, items or services which are in  
23 excess of or more expensive than the items or services with  
24 respect to which payment may be made under this title,  
25 such provider of services may also charge such individual or

1 other person for such more expensive items or services to the  
 2 extent that the amount customarily charged by it for the  
 3 items or services furnished at such request exceeds the  
 4 amount customarily charged by it for the items or services  
 5 with respect to which payment may be made under this  
 6 title.

Provider may charge for first 3 pints of whole blood furnished during a spell of illness; except that a charge may not be made for the cost of administration of blood and no charge can be made if blood is replaced.

7 “(C) A provider of services may also charge any such  
 8 individual for any whole blood furnished him with respect  
 9 to which a deductible is imposed under section 1813 (a) (3)  
 10 or 1833 (d), except that (i) any excess of such charge over  
 11 the cost to such provider for the blood shall be deducted  
 12 from any payment to such provider under this title, (ii) no  
 13 such charge may be imposed for the cost of administration  
 14 of such blood, and (iii) such charge may not be made to  
 15 the extent such blood has been replaced on behalf of such  
 16 individual or arrangements have been made for its replace-  
 17 ment on his behalf.

Agreement may be terminated by provider at such time and upon such notice as may be prescribed by regulation. Secretary may require agreement to remain in effect for up to 6 months after provider notice. Secretary may terminate only if provider (a) not complying with agreement or law, (b) no longer eligible to participate, or (c) fails to provide data to determine benefit eligibility or amount of payment due provider, or refuses access to records for verification.

18 “(b) An agreement with the Secretary under this sec-  
 19 tion may be terminated—

20 “(1) by the provider of services at such time and  
 21 upon such notice to the Secretary and the public as may  
 22 be provided in regulations, except that notice of more  
 23 than 6 months shall not be required, or

24 “(2) by the Secretary at such time and upon such  
 25 reasonable notice to the provider of services and the

public as may be specified in regulations, but only after the Secretary has determined (A) that such provider of services is not complying substantially with the provisions of such agreement, or with the provisions of this title and regulations thereunder, or (B) that such provider of services no longer substantially meets the applicable provisions of section 1861, or (C) that such provider of services has failed to provide such information as the Secretary finds necessary to determine whether payments are or were due under this title and the amounts thereof, or has refused to permit such examination of its fiscal and other records by or on behalf of the Secretary as may be necessary to verify such information.

Any termination shall be applicable—

“(3) in the case of inpatient hospital services (including inpatient tuberculosis hospital services), inpatient psychiatric hospital services, or post-hospital extended care services, with respect to such services furnished to any individual who is admitted to the hospital or extended care facility furnishing such services on or after the effective date of such termination,

“(4) (A) with respect to home health services furnished to an individual under a plan therefor established on or after the effective date of such termination,

Termination of agreement with provider effective with respect to (1) inpatient hospital services (including inpatient tuberculosis hospital services), inpatient psychiatric hospital services, and post-hospital extended care furnished to individual admitted on or after effective date of termination, or, if earlier, after calendar year in which termination effective; (3) any other items or services furnished on or after effective date of termination.

1 or (B) if a plan is established before such effective  
 2 date, with respect to such services furnished to such  
 3 individual after the calendar year in which such termina-  
 4 tion is effective, and

5 “(5) with respect to any other items and services  
 6 furnished on or after the effective date of such  
 7 termination.

If Secretary terminates agree-  
 ment, provider may not file a new  
 agreement unless Secretary finds  
 reason for termination is removed  
 and there is assurance it will  
 not recur.

8 “(c) Where an agreement filed under this title by a  
 9 provider of services has been terminated by the Secretary,  
 10 such provider may not file another agreement under this  
 11 title unless the Secretary finds that the reason for the termi-  
 12 nation has been removed and that there is reasonable assur-  
 13 ance that it will not recur.

If Secretary finds timely reviews  
 of long-stay cases not being made  
 by hospital or extended care  
 facility, Secretary may, in lieu  
 of terminating agreement, deny  
 payment for services furnished  
 after 21st day of continuous in-  
 patient hospital care or after  
 stays of a prescribed length in  
 an extended care facility. Such  
 decision may be made only after  
 notice to provider and public and  
 shall be rescinded when reviews  
 are being made and there is  
 assurance reviews will continue  
 to be made.

14 “(d) If the Secretary finds that there is a substantial  
 15 failure to make timely review in accordance with section  
 16 1861 (k) of long-stay cases in a hospital or extended care  
 17 facility, he may, in lieu of terminating his agreement with  
 18 such hospital or facility, decide that, with respect to any  
 19 individual admitted to such hospital or facility after a subse-  
 20 quent date specified by him, no payment shall be made under  
 21 this title for inpatient hospital services (including inpatient  
 22 tuberculosis hospital services), or inpatient psychiatric hos-  
 23 pital services, after the 20th day of a continuous period of  
 24 such services or for post-hospital extended care services after  
 25 such day of a continuous period of such care as is prescribed



1 in or pursuant to regulations, as the case may be. Such deci-  
 2 sion may be made effective only after such notice to the hos-  
 3 pital, or (in the case of an extended care facility) to the  
 4 facility and the hospital or hospitals with which it has a trans-  
 5 fer agreement, and to the public, as may be prescribed by  
 6 regulations, and its effectiveness shall terminate when the  
 7 Secretary finds that the reason therefor has been removed and  
 8 that there is reasonable assurance that it will not recur. The  
 9 Secretary shall not make any such decision except after rea-  
 10 sonable notice and opportunity for hearing to the institution  
 11 or agency affected thereby.

12 "HEALTH INSURANCE BENEFITS ADVISORY COUNCIL

13 "SEC. 1867. For the purpose of advising the Secretary  
 14 on matters of general policy in the administration of this title  
 15 and in the formulation of regulations under this title, there is  
 16 hereby created a Health Insurance Benefits Advisory Coun-  
 17 cil which shall consist of 16 persons, not otherwise in  
 18 the employ of the United States, appointed by the Secretary  
 19 without regard to the civil service laws. The Secretary shall  
 20 from time to time appoint one of the members to serve as  
 21 Chairman. The members shall include persons who are out-  
 22 standing in fields related to hospital, medical, and other  
 23 health activities, and at least one person who is representa-  
 24 tive of the general public. Each member shall hold office for

Provides for Health Insurance  
 Benefits Advisory Council of  
 16 persons not otherwise in  
 employ of U.S., to be appointed  
 by Secretary.

The Council shall include people  
 who are outstanding in fields  
 related to hospital, medical, and  
 other health activities, and at  
 least one person to represent the  
 general public. Members serve  
 4-year terms and may not serve  
 continuously for more than two  
 consecutive terms.

1 a term of 4 years, except that any member appointed to  
 2 fill a vacancy occurring prior to the expiration of the term  
 3 for which his predecessor was appointed shall be appointed  
 4 for the remainder of such term, and except that the terms of  
 5 office of the members first taking office shall expire, as desig-  
 6 nated by the Secretary at the time of appointment, four at the  
 7 end of the first year, four at the end of the second year, four  
 8 at the end of the third year, and four at the end of the fourth  
 9 year after the date of appointment. A member shall not be  
 10 eligible to serve continuously for more than 2 terms. The  
 11 Secretary may, at the request of the Council or otherwise,  
 12 appoint such special advisory professional or technical com-  
 13 mittees as may be useful in carrying out this title. Members  
 14 of the Advisory Council and members of any such advisory or  
 15 technical committee, while attending meetings or confer-  
 16 ences thereof or otherwise serving on business of the Ad-  
 17 visory Council or of such committee, shall be entitled  
 18 to receive compensation at rates fixed by the Secretary, but  
 19 not exceeding \$100 per day, including travel time, and while  
 20 so serving away from their homes or regular places of busi-  
 21 ness they may be allowed travel expenses, including per  
 22 diem in lieu of subsistence, as authorized by section 5 of the  
 23 Administrative Expenses Act of 1946 (5 U.S.C. 73b-2)  
 24 for persons in the Government service employed intermit-  
 25 tently. The Advisory Council shall meet as frequently as

Members receive compensation  
 at rates fixed by Secretary  
 (not exceeding \$100 a day).

Council meets as frequently as  
 Secretary finds necessary; he  
 must call a meeting upon request  
 of 4 members.

1 the Secretary deems necessary. Upon request of 4 or more  
 2 members, it shall be the duty of the Secretary to call a meet-  
 3 ing of the Advisory Council.

4 "NATIONAL MEDICAL REVIEW COMMITTEE

5 "SEC. 1868. (a) There is hereby created a National  
 6 Medical Review Committee (hereinafter in this section re-  
 7 ferred to as the 'Committee') which shall consist of nine  
 8 persons, not otherwise in the employ of the United States,  
 9 appointed by the Secretary without regard to the civil service  
 10 laws. The Secretary shall from time to time appoint one of  
 11 the members to serve as chairman. The members shall be  
 12 selected from among individuals who are representative of  
 13 organizations and associations of professional personnel in the  
 14 field of medicine and other individuals who are outstanding  
 15 in the field of medicine or in related fields; except that at  
 16 least one member shall be representative of the general pub-  
 17 lic, and at least a majority of the members shall be physi-  
 18 cians. Each member shall hold office for a term of three  
 19 years, except that any member appointed to fill a vacancy  
 20 occurring prior to the expiration of the term for which his  
 21 predecessor was appointed shall be appointed for the re-  
 22 mainder of such term, and except that the terms of office of  
 23 the members first taking office shall expire, as designated by  
 24 the Secretary at the time of appointment, three at the end of  
 25 the first year, three at the end of the second year, and three at

Creates a National Medical Review Committee of 9 persons not otherwise in employ of U.S., to be appointed by Secretary. Members to be selected from among individuals representative of organizations and associations in field of medicine or in related fields; except that at least 1 member shall represent general public, and at least majority of members shall be physicians. Members serve 3 year term and may not serve continuously for more than two terms.

1 the end of the third year after the date of appointment. A  
 2 member shall not be eligible to serve continuously for more  
 3 than two terms.

Members receive compensation  
 at rates fixed by Secretary  
 (not exceeding \$100 a day).

4       “(b) Members of the Committee, while attending  
 5 meetings or conferences thereof or otherwise serving on  
 6 business of the Committee, shall be entitled to receive com-  
 7 pensation at rates fixed by the Secretary, but not exceeding  
 8 \$100 per day, including travel time, and while so serving  
 9 away from their homes or regular places of business they  
 10 may be allowed travel expenses, including per diem in lieu  
 11 of subsistence, as authorized by section 5 of the Admin-  
 12 istrative Expenses Act of 1946 (5 U.S.C. 73b-2) for  
 13 persons in the Government service employed intermittently.

Committee's function to study  
 utilization of hospital and  
 other medical care and  
 services for which payment can  
 be made with view to recom-  
 mending any change desirable  
 in utilization of care and  
 services, or in the admini-  
 stration of the program, or  
 in the provisions of  
 title XVIII. Committee  
 required to make an annual  
 report, to be submitted to  
 Congress, of results of its  
 study and any recommendations  
 it may have.

14       “(c) It shall be the function of the Committee to study  
 15 the utilization of hospital and other medical care and services  
 16 for which payment may be made under this title with a  
 17 view to recommending any changes which may seem de-  
 18 sirable in the way in which such care and services are  
 19 utilized or in the administration of the programs established  
 20 by this title, or in the provisions of this title. The Com-  
 21 mittee shall make an annual report to the Secretary of the  
 22 results of its study, including any recommendations it may  
 23 have with respect thereto, and such report shall be trans-  
 24 mitted promptly by the Secretary to the Congress.

25       “(d) The Committee is authorized to engage such tech-



1 nical assistance as may be required to carry out its functions,  
 2 and the Secretary shall, in addition, make available to the  
 3 Committee such secretarial, clerical, and other assistance  
 4 and such pertinent data obtained and prepared by the De-  
 5 partment of Health, Education, and Welfare as the Com-  
 6 mittee may require to carry out its functions.

7 "DETERMINATIONS; APPEALS

8 "SEC. 1869. (a) The determination of whether an  
 9 individual is entitled to benefits under part A or part B,  
 10 and the determination of the amount of benefits under part A,  
 11 shall be made by the Secretary in accordance with regulations  
 12 prescribed by him.

13 "(b) Any individual dissatisfied with any determina-  
 14 tion under subsection (a) as to entitlement under part A or  
 15 part B, or as to amount of benefits under part A where the  
 16 matter in controversy is \$1,000 or more, shall be entitled  
 17 to a hearing thereon by the Secretary to the same extent as  
 18 is provided in section 205 (b), and to judicial review of the  
 19 Secretary's final decision after such hearing as is provided  
 20 in section 205 (g).

21 "(c) Any institution or agency dissatisfied with any  
 22 determination by the Secretary that it is not a provider of  
 23 services, or with any determination described in section 1866  
 24 (b) (2), shall be entitled to a hearing thereon by the Secre-  
 25 tary (after reasonable notice and opportunity for hearing)

Committee authorized to engage technical assistance required to carry out its functions. Secretary to make available secretarial, clerical and other assistance and data needed by the Committee.

Determinations of entitlement to benefits under part A and part B, and benefit amounts under part A shall be made by Secretary in accordance with regulations.

Any individual dissatisfied with a determination as to entitlement under part A or part B or as to amount under part A (if amount in issue is \$1,000 or more) is entitled to same hearings and appeal procedures as now provided in section 205(g) of title II of Social Security Act.

Any institution or agency dissatisfied with a determination by the Secretary that it is not a provider of services, or with a determination terminating an agreement for a reason specified in section 1866(b)(2), is entitled to same hearings and appeal procedures (but not

necessarily by the same organizations) as now provided in section 205(b) and to judicial review of Secretary's decision after hearing as is provided in section 205(g).

Payment to provider for services furnished an individual considered payment to the individual.

Where overpayment is made to provider and cannot be recouped from provider, or payment is made for individual not entitled to benefits because of limits on durations, subsequent cash QASI benefits or railroad retirement benefits payable to individual (or, if such individual dies, benefits to others based on his earnings) reduced in accordance with regulations prescribed by Secretary (after consultation with Railroad Retirement Board).

1 to the same extent as is provided in section 205 (b), and  
2 to judicial review of the Secretary's final decision after such  
3 hearing as is provided in section 205 (g) .

4 "OVERPAYMENTS ON BEHALF OF INDIVIDUALS

5 "SEC. 1870. (a) Any payment under this title to any  
6 provider of services with respect to any items or services  
7 furnished any individual shall be regarded as a payment to  
8 such individual.

9 "(b) Where—

10 "(1) more than the correct amount is paid under  
11 this title to a provider of services or other person for  
12 items or services furnished an individual and the Secre-  
13 tary determines that, within such period as he may  
specify, the excess over the correct amount cannot be  
14 recouped from such provider of services or other person,  
15 or

16  
17 "(2) any payment has been made under section  
18 1814 (e) or 1835 (c) to a provider of services or other  
19 person for items or services furnished an individual,  
20 proper adjustments shall be made, under regulations pre-  
21 scribed (after consultation with the Railroad Retirement  
22 Board) by the Secretary, by decreasing subsequent pay-  
23 ments—

24 "(3) to which such individual is entitled under

1 title II of this Act or under the Railroad Retirement  
2 Act of 1937, as the case may be, or

3 “(4) if such individual dies before such adjustment  
4 has been completed, to which any other individual is  
5 entitled under title II of this Act or under the Railroad  
6 Retirement Act of 1937, as the case may be, with re-  
7 spect to the wages and self-employment income or the  
8 compensation constituting the basis of the benefits of  
9 such deceased individual under title II of such Act.

10 As soon as practicable after any adjustment under paragraph  
11 (3) or (4) is determined to be necessary, the Secretary,  
12 for purposes of this section, section 1817 (g), and section  
13 1834 (f), shall certify (to the Railroad Retirement Board  
14 if the adjustment is to be made by decreasing subsequent  
15 payments under the Railroad Retirement Act of 1937) the  
16 amount of the overpayment as to which the adjustment is  
17 to be made.

18 “(c) There shall be no adjustment as provided in sub-  
19 section (b) (nor shall there be recovery) in any case where  
20 the incorrect payment has been made (including payments  
21 under sections 1814 (e) and 1835 (c)) with respect to an  
22 individual who is without fault and where such adjustment  
23 (or recovery) would defeat the purposes of title II or would  
24 be against equity and good conscience.

No reduction in cash benefits  
to be made in any case in which  
the individual is without fault,  
or reduction would defeat the  
purposes of title II or would be  
against equity or good  
conscience.

Certifying or disbursing officer not liable for overpayments where recovery of such payments is waived or where recovery not completed prior to death of all persons against whose benefits recovery authorized.

Secretary shall prescribe regulations necessary to carry out the administration of the program under title XVIII. Defines "regulations" as regulations prescribed by Secretary of HEW unless context otherwise requires.

1 " (d) No certifying or disbursing officer shall be held  
2 liable for any amount certified or paid by him to any pro-  
3 vider of services or other person where the adjustment or  
4 recovery of such amount is waived under subsection (c) or  
5 where adjustment under subsection (b) is not completed  
6 prior to the death of all persons against whose benefits such  
7 adjustment is authorized.

#### 8 "REGULATIONS

9 "SEC. 1871. The Secretary shall prescribe such regula-  
10 tions as may be necessary to carry out the administration of  
11 the insurance programs under this title. When used in this  
12 title, the term 'regulations' means, unless the context other-  
13 wise requires, regulations prescribed by the Secretary.

#### 14 "APPLICATION OF CERTAIN PROVISIONS OF TITLE II

15 "SEC. 1872. The provisions of sections 206, 208, and  
16 216(j), and of subsections (a), (d), (e), (f), (h), (i),  
17 (j), (k), and (l) of section 205, shall also apply with re-  
18 spect to this title to the same extent as they are applicable  
19 with respect to title II.

#### 20 "DESIGNATION OF ORGANIZATION OR PUBLICATION

#### 21 BY NAME

22 "SEC. 1873. Designation in this title, by name, of any  
23 nongovernmental organization or publication shall not be  
24 affected by change of name of such organization or pub-  
25 lication, and shall apply to any successor organization or



1 publication which the Secretary finds serves the purpose  
2 for which such designation is made.

### 3 "ADMINISTRATION

4 "SEC. 1874. (a) Except as otherwise provided in this Provides that, except as other-  
5 title, the insurance programs established by this title shall be wise stated, the programs estab-  
6 administered by the Secretary. The Secretary may perform lished by title XVIII are to be  
7 any of his functions under this title directly, or by contract administered by the Secretary  
8 providing for payment in advance or by way of reimburse- who may perform any of his  
9 ment, and in such installments, as the Secretary may deem functions directly or by contract.  
10 necessary.

11 "(b) The Secretary may contract with any person, The Secretary may contract with  
12 agency, or institution to secure on a reimbursable basis such any person, agency or institution  
13 special data, actuarial information, and other information as to secure such special data as may  
14 may be necessary in the carrying out of his functions under be necessary in carrying out his  
15 this title. functions.

### 16 "STUDIES AND RECOMMENDATIONS

17 "SEC. 1875. (a) The Secretary shall carry on studies The Secretary is to make studies  
18 and develop recommendations to be submitted from time to and develop recommendations to be  
19 time to the Congress relating to health care of the aged, in- submitted to the Congress relating  
20 cluding studies and recommendations concerning (1) the to the health care of the aged,  
21 adequacy of existing personnel and facilities for health care including studies and recommenda-  
22 for purposes of the programs under parts A and B; (2) tions concerning the adequacy of  
23 methods for encouraging the further development of efficient existing personnel and facilities  
24 and economical forms of health care which are a constructive for purposes of the programs under  
25 alternative to inpatient hospital care; (3) the effects of the title XVIII; methods for encouraging  
further development of efficient  
and economical alternatives to  
inpatient hospital care; effects  
of deductibles and coinsurance on  
beneficiaries, providers of service;  
and the financing of the program;  
and the desirability of broadening  
or modifying the provisions which

authorize the payment for additional days of extended care facility services where the maximum number of days of inpatient hospital days has not been used.

The Secretary will make a continuing study of the operations and administration of the health insurance programs and submit to the Congress annually a report concerning these operations.

If an individual was eligible to enroll under the supplementary health insurance program before April 1, 1966, but failed to do so and it is shown to the satisfaction of the Secretary that there was good cause for the failure to enroll, such individual may enroll any time before October 1, 1966. The coverage period of an individual enrolled under this provision will begin on the first day of the sixth month after the month in which he enrolls.

1 deductibles and coinsurance provisions upon beneficiaries,  
2 persons who provide health services, and the financing of  
3 the program; and (4) the desirability of broadening or  
4 otherwise modifying the provisions of this title which au-  
5 thorize payment for additional days of post-hospital extended  
6 care services in cases where the number of days of inpatient  
7 hospital services in a spell of illness for which payment is  
8 made is less than the maximum number of days for which  
9 such payment could be made.

10 “(b) The Secretary shall make a continuing study of  
11 the operation and administration of the insurance programs  
12 under parts A and B, and shall transmit to the Congress an-  
13 nually a report concerning the operation of such programs.”

14 (b) If—

15 (1) an individual was eligible to enroll under sec-  
16 tion 1837 (c) of the Social Security Act before April 1,  
17 1966, but failed to enroll before such date, and

18 (2) it is shown to the satisfaction of the Secretary  
19 of Health, Education, and Welfare that there was good  
20 cause for such failure to enroll before April 1, 1966,  
21 such individual may enroll pursuant to this subsection at any  
22 time before October 1, 1966. The determination of what  
23 constitutes good cause for purposes of the preceding sentence  
24 shall be made in accordance with regulations of the Secre-  
25 tary. In the case of any individual who enrolls pursuant to

1 this subsection, the coverage period (within the meaning of  
 2 section 1838 of the Social Security Act) shall begin on the  
 3 first day of the 6th month after the month in which he so  
 4 enrolls.

5 TRANSITIONAL PROVISION ON ELIGIBILITY OF PRESENTLY  
 6 UNINSURED INDIVIDUALS FOR HOSPITAL INSURANCE  
 7 BENEFITS

8 SEC. 103. (a) Anyone who—

9 (1) has attained the age of 65,

10 (2) (A) attained such age before 1968, or (B) has  
 11 not less than 3 quarters of coverage (as defined in title II  
 12 of the Social Security Act or section 5 (1) of the Railroad  
 13 Retirement Act of 1937), whenever acquired, for each  
 14 calendar year elapsing after 1965 and before the year  
 15 in which he attained such age,

16 (3) is not, and upon filing application for monthly  
 17 insurance benefits under section 202 of the Social  
 18 Security Act would not be, entitled to hospital insurance  
 19 benefits under section 226 of such Act, and is not  
 20 certifiable as a qualified railroad retirement beneficiary  
 21 under section 21 of the Railroad Retirement Act of  
 22 1937 (as added by section 105 (a) of this Act),

23 (4) is a resident of the United States (as defined  
 24 in section 210 (i) of the Social Security Act), and is  
 25 a citizen of the United States or an individual who has

Anyone who (1) has attained age 65 before 1968 (or has three quarters of coverage for each calendar year after 1965 and before reaching age 65), (2) is not entitled to hospital insurance benefits as a social security or railroad retirement beneficiary, (3) is a resident of the United States and is a citizen (or has resided in the United States continuously for at least 10 years prior to the month he files an application), (4) and has filed an application, will be entitled to hospital insurance benefits beginning with the month he meets these requirements and ending with the month in which he dies or, if earlier, the month before the month in which he becomes entitled to hospital insurance benefits as a social security or railroad retirement beneficiary.

1       resided in the United States (as so defined) continu-  
 2       ously during the 10 years immediately preceding the  
 3       month in which he files application under this section,  
 4       and

5               (5) has filed an application under this section in  
 6       such manner and in accordance with such other require-  
 7       ments as may be prescribed in regulations of the Secre-  
 8       tary,

9       shall (subject to the limitations in this section) be deemed,  
 10      solely for purposes of section 226 of the Social Security Act,  
 11      to be entitled to monthly insurance benefits under such  
 12      section 202 for each month, beginning with the first month  
 13      in which he meets the requirements of this subsection and  
 14      ending with the month in which he dies, or, if earlier,  
 15      the month before the month in which he becomes (or  
 16      upon filing application for monthly insurance benefits  
 17      under section 202 of such Act would become) entitled to  
 18      hospital insurance benefits under section 226 or becomes  
 19      certifiable as a qualified railroad retirement beneficiary. An  
 20      individual who would have met the preceding requirements of  
 21      this subsection in any month had he filed application under  
 22      paragraph (5) hereof before the end of such month shall  
 23      be deemed to have met such requirements in such month  
 24      if he files such application before the end of the twelfth month  
 25      following such month. No application under this section

Any individual who would have met the preceding requirements in any month if he had filed an application before the end of that month will be deemed to have met the requirements for that month if he files before the end of the next 12 months. No application is valid if filed before the first month the individual is entitled to hospital insurance benefits.



1 which is filed by an individual before the first month in  
 2 which he meets the requirements of paragraphs (1), (2),  
 3 (3), and (4) shall be accepted as an application for pur-  
 4 poses of this section.

5 (b) The provisions of subsection (a) shall not apply  
 6 to any individual who—

7 (1) is, at the beginning of the first month in which  
 8 he meets the requirements of subsection (a), a member  
 9 of any organization referred to in section 210(a) (17)  
 10 of the Social Security Act,

11 (2) has, prior to the beginning of such first month,  
 12 been convicted of any offense listed in section 202 (u)  
 13 of the Social Security Act, or

14 (3) at the beginning of such first month, is  
 15 covered by an enrollment in a health benefits plan under  
 16 the Federal Employees Health Benefits Act of 1959 or  
 17 could have been so covered had he or some other in-  
 18 dividual availed himself of opportunities to enroll in a  
 19 health benefits plan under such Act and (where the  
 20 Federal employee has retired) to continue such enroll-  
 21 ment after retirement.

22 (c) There are authorized to be appropriated to the  
 23 Federal Hospital Insurance Trust Fund (established by  
 24 section 1817 of the Social Security Act) from time to time  
 25 such sums as the Secretary deems necessary, on account of—

Protection not furnished to people who (1) are members of subversive organizations, (2) have been convicted of subversive activities, or (3) are eligible or could have been eligible for benefits under the Federal Employees Health Benefits Act of 1959.

Payment of hospital insurance benefits for people not eligible under OASDI or railroad retirement systems made from Federal general revenues.

1           (1) payments made from such Trust Fund under  
2 part A of title XVIII of such Act with respect to indi-  
3 viduals who are entitled to hospital insurance benefits  
4 under section 226 of such Act solely by reason of this  
5 section,

6           (2) the additional administrative expenses result-  
7 ing therefrom, and

8           (3) any loss in interest to such Trust Fund result-  
9 ing from the payment of such amounts,  
10 in order to place such Trust Fund in the same position in  
11 which it would have been if the preceding subsections of this  
12 section had not been enacted.

13 SUSPENSION IN CASE OF ALIENS; PERSONS CONVICTED OF  
14 SUBVERSIVE ACTIVITIES

15 SEC. 104. (a) (1) Section 202 (t) of the Social Secu-  
16 rity Act is amended by adding at the end thereof the follow-  
17 ing new paragraph:

18           “(9) No payments shall be made under part A of title  
19 XVIII with respect to items or services furnished to an indi-  
20 vidual in any month for which the prohibition in paragraph  
21 (1) against payment of benefits to him is applicable (or  
22 would be if he were entitled to any such benefits).”

23           (2) Section 202 (u) of such Act is amended by striking  
24 out “and” before the phrase “in determining the amount of

OASDI provisions suspending  
payment of benefits to  
certain aliens outside U.S.  
made applicable to hospital  
insurance program.

1 any such benefit payable to such individual for any such  
 2 month," and inserting after such phrase "and in determining  
 3 whether such individual is entitled to insurance benefits under  
 4 part A of title XVIII for any such month,".

5 (b) (1) No payments shall be made under part B of  
 6 title XVIII of the Social Security Act with respect to ex-  
 7 penses incurred by an individual during any month for which  
 8 such individual may not be paid monthly benefits under title  
 9 II of such Act (or for which such monthly benefits would be  
 10 suspended if he were otherwise entitled thereto) by reason  
 11 of section 202 (t) of such Act (relating to suspension of ben-  
 12 efits of aliens who are outside the United States).

13 (2) An individual who has been convicted of any  
 14 offense under (1) chapter 37 (relating to espionage and  
 15 censorship), chapter 105 (relating to sabotage), or chapter  
 16 115 (relating to treason, sedition, and subversive activities)  
 17 of title 18 of the United States Code, or (2) section 4, 112,  
 18 or 113 of the Internal Security Act of 1950, as amended,  
 19 may not enroll under part B of title XVIII of the Social  
 20 Security Act.

Payments may not be made under Part B with respect to expenses incurred by an individual during any month for which such individual may not receive monthly social security benefits by reason of section 202(t) of title II (relating to suspension of benefits of aliens who are outside the U.S.).

#### 21 RAILROAD RETIREMENT AMENDMENTS

22 SEC. 105. (a) (1) The Railroad Retirement Act of 1937  
 23 is amended by adding after section 20 the following new  
 24 section:

Adds a new section 21 to the Railroad Retirement Act.

The new section 21 of the RR Act provides that for the purpose of providing hospital insurance benefits for RR beneficiaries the RR Board shall certify to the Secretary of HEW, upon the Secretary's request, the name of any individual who has attained age 65 and (1) is entitled to an annuity or pension under the RR Act, or (2) would be entitled to such annuity or pension if he (or a spouse's husband) ceased compensated service and applied for such annuity, or (3) bears a relationship to an employee which would be taken into account under the "social security minimum" provision of the RR Act in the annuity computation. The certification made by the Board to the Secretary of HEW shall include additional necessary information and shall be effective on the date of certification, or on such earlier date not more than one year prior to the certification date as the Board states individual first met requirements. The Board shall notify the Secretary of the date when such individual no longer meets the requirements.

1 "HOSPITAL INSURANCE BENEFITS FOR THE AGED

2 "SEC. 21. For the purposes of part A of title XVIII  
3 of the Social Security Act, in order to provide hospital  
4 insurance benefits for annuitants, pensioners, and certain  
5 other aged individuals, the Board shall, upon request of the  
6 Secretary of Health, Education, and Welfare, certify to the  
7 Secretary the name of any individual who has attained age  
8 65 and who (1) is entitled to an annuity or pension under  
9 this Act, (2) would be entitled to such an annuity had he  
10 (i) ceased compensated service and (in the case of a spouse)  
11 had such spouse's husband or wife ceased compensated serv-  
12 ice and (ii) applied for such annuity, or (3) bears a rela-  
13 tionship to an employee which, by reason of section 3 (e) of  
14 such Act, has been, or would be, taken into account in calcu-  
15 lating the amount of an annuity of such employee or his  
16 survivors. Such a certification shall include such additional  
17 information as may be necessary to carry out the provisions  
18 of part A of title XVIII of the Social Security Act, and shall  
19 become effective on the date of certification or on such earlier  
20 date not more than one year prior to the date of certification  
21 as the Board states that such individual first met the require-  
22 ments for certification. The Board shall notify the Secretary  
23 of the date on which such individual no longer meets the  
24 requirements of this section."

25 (2) For purposes of section 21 of the Railroad Retire-



1 ment Act of 1937 (and sections 1840, 1843, and 1870 of  
2 the Social Security Act), entitlement to an annuity or pen-  
3 sion under the Railroad Retirement Act of 1937 shall be  
4 deemed to include entitlement under the Railroad Retirement  
5 Act of 1935.

6 (b) (1) Section 3201 of the Internal Revenue Code of  
7 1954 (relating to rate of tax on employees under the Rail-  
8 road Retirement Tax Act) is amended by striking out "the  
9 rate of the tax imposed with respect to wages by section  
10 3101 at such time exceeds the rate provided by paragraph  
11 (2) of such section 3101 as amended by the Social Security  
12 Amendments of 1956" and inserting in lieu thereof "the rate  
13 of the tax imposed with respect to wages by section 3101 (a)  
14 at such time exceeds 2 $\frac{3}{4}$  percent (the rate provided by para-  
15 graph (2) of section 3101 as amended by the Social Secu-  
16 rity Amendments of 1956)".

17 (2) Section 3211 of such Code (relating to the rate of  
18 tax on employee representatives under the Railroad Retirement  
19 Tax Act) is amended by striking out "the rate of the  
20 tax imposed with respect to wages by section 3101 at such  
21 time exceeds the rate provided by paragraph (2) of such  
22 section 3101 as amended by the Social Security Amendments  
23 of 1956" and inserting in lieu thereof "the rate of the tax  
24 imposed with respect to wages by section 3101 (a) at such

J. 35-001—8

Provides that for purposes of the new section 21 of the RR Act of 1937 (and sections 1840, 1843, and 1870 of the SS Act, relating to health insurance benefits for the aged) entitlement to an annuity or pension under the RR Act of 1937 shall be deemed to include entitlement under the RR Act of 1935.

Amends section 3201 of the IRC (relating to the rate of tax on employees under the RR Act) so that the provision in the RR Tax Act that automatically increases the RR employee tax rates in the same amount, and at the same time, as any SS contribution rate increases that go into effect after 1964 shall apply only to increases in the OASDI contribution rates. (This amendment takes into account the fact that the taxes of the HIB program are levied directly on railroad employees under the FICA.)

Amends section 3211 of the IRC (relating to the rate of tax on employee representatives under the RR Act) so that the provision in the RR Tax Act that automatically increases the RR employee representative tax rates in the same amount, and at the same time, as any SS contribution rate increases that go into effect after 1964 shall apply only to increases in the OASDI contribution rates. (This amendment takes into account the fact that the taxes of the HIB program are levied directly on railroad employee representatives under the FICA.)

Amends section 3221(b) of the IRC (relating to the rate of tax on employers under the RR Act) so that the provision in the RR Tax Act that automatically increases the RR employer tax rates in the same amount, and at the same time, as any SS contribution rate increases that go into effect after 1964 shall apply only to increases in the OASDI contribution rates. (This amendment takes into account the fact that the taxes of the HIB program are levied directly on railroad employers under the FICA.)

Provides that the amendments made by section 105(b), relating to RR taxes, shall be effective with respect to services rendered after December 31, 1965.

Provides a cross reference to section 326, which amends the RR Act to preserve the existing relationship between the RR Act and the SS Act.

1 time exceeds  $2\frac{3}{4}$  percent (the rate provided by paragraph  
2 (2) of section 3101 as amended by the Social Security  
3 Amendments of 1956)".

4 (3) Section 3221(b) of such Code (relating to the rate  
5 of tax on employers under the Railroad Retirement Tax Act)  
6 is amended by striking out "the rate of the tax imposed with  
7 respect to wages by section 3111 at such time exceeds the  
8 rate provided by paragraph (2) of such section 3111 as  
9 amended by the Social Security Amendments of 1956" and  
10 inserting in lieu thereof "the rate of the tax imposed with  
11 respect to wages by section 3111(a) at such time exceeds  
12  $2\frac{3}{4}$  percent (the rate provided by paragraph (2) of section  
13 3111 as amended by the Social Security Amendments of  
14 1956)".

15 (4) The amendments made by this subsection shall be  
16 effective with respect to compensation paid for services  
17 rendered after December 31, 1965.

18 (c) For amendments preserving relationship between  
19 the railroad retirement and old-age, survivors, and disability  
20 insurance systems, see section 326 of this Act.

#### 21 MEDICAL EXPENSE DEDUCTION

22 SEC. 106. (a) Subsection (a) of section 213 of the  
23 Internal Revenue Code of 1954 (relating to allowance of  
24 deduction) is amended to read as follows:

25 "(a) ALLOWANCE OF DEDUCTION.—There shall be

1 allowed as a deduction the following amounts, not compen-  
2 sated for by insurance or otherwise—

3 “(1) the amount by which the amount of the  
4 expenses paid during the taxable year (reduced by any  
5 amount deductible under paragraph (2)) for medical  
6 care of the taxpayer, his spouse, and dependents (as  
7 defined in section 152) exceeds 3 percent of the  
8 adjusted gross income, and

9 “(2) an amount (not in excess of \$250) equal to  
10 one-half of the expenses paid during the taxable year for  
11 insurance which constitutes medical care for the tax-  
12 payer, his spouse, and dependents.”

13 (b) The second sentence of section 213(b) of such  
14 Code (relating to limitation with respect to medicine and  
15 drugs) is repealed.

16 (c) Section 213(e) of such Code (relating to defini-  
17 tions) is amended by renumbering paragraph (2) as  
18 paragraph (4), and by striking out paragraph (1) and  
19 inserting in lieu thereof the following:

20 “(1) The term ‘medical care’ means amounts paid—

21 “(A) for the diagnosis, cure, mitigation, treat-  
22 ment, or prevention of disease, or for the purpose of  
23 affecting any structure or function of the body,

24 “(B) for transportation primarily for and es-

1           sential to medical care referred to in subparagraph  
2           (A), or

3           “(C) for insurance (including amounts paid as  
4           premiums under part B of title XVIII of the Social  
5           Security Act, relating to supplementary health in-  
6           surance for the aged) covering medical care re-  
7           ferred to in subparagraphs (A) and (B).

8           “(2) In the case of an insurance contract under  
9           which amounts are payable for other than medical care  
10          referred to in subparagraphs (A) and (B) of para-  
11          graph (1) —

12          “(A) no amount shall be treated as paid for  
13          insurance to which paragraph (1) (C) applies un-  
14          less the charge for such insurance is separately  
15          stated in the contract,

16          “(B) the amount taken into account as the  
17          amount paid for such insurance shall not exceed  
18          such charge, and

19          “(C) no amount shall be treated as paid for  
20          such insurance if the amount specified in the con-  
21          tract as the charge for such insurance is unreason-  
22          ably large in relation to the total charges under the  
23          contract.

24          “(3) Subject to the limitations of paragraph (2),  
25          premiums paid during the taxable year by a taxpayer



1 before he attains the age of 65 for insurance covering  
2 medical care (within the meaning of subparagraphs  
3 (A) and (B) of paragraph (1)) for the taxpayer,  
4 his spouse, or a dependent after the taxpayer attains  
5 the age of 65 shall be treated as expenses paid during  
6 the taxable year for insurance which constitutes medical  
7 care if premiums for such insurance are payable (on  
8 a level payment basis) under the contract for a period  
9 of 10 years or more or until the year in which the  
10 taxpayer attains the age of 65 (but in no case for a  
11 period of less than 5 years)."

12 (d) Section 213 (g) of such Code (relating to maxi-  
13 mum limitation if taxpayer or spouse has attained age 65 and  
14 is disabled) is amended—

15 (1) by striking out "Has Attained Age 65 and" in  
16 the heading;

17 (2) by striking out "has attained the age of 65  
18 before the close of the taxable year and" each place  
19 it appears in the text; and

20 (3) by striking out "have attained the age of 65  
21 before the close of the taxable year and" in paragraph  
22 (1) (B).

23 (e) The amendments made by this section shall apply  
24 to taxable years beginning after December 31, 1966.

Employee's copy of W-2 must show amount of taxes withheld for financing cost of hospital insurance benefits under Part A.

1 RECEIPTS FOR EMPLOYEES MUST SHOW TAXES SEPARATELY  
2 SEC. 107. Section 6051 (c) of the Internal Revenue  
3 Code of 1954 (relating to additional requirements) is  
4 amended by adding at the end thereof the following new  
5 sentence: "The statements required under this section shall  
6 also show the proportion of the total amount withheld as tax  
7 under section 3101 which is for financing the cost of hospital  
8 insurance benefits under part A of title XVIII of the Social  
9 Security Act."

10 TECHNICAL AND ADMINISTRATIVE AMENDMENTS RELATING  
11 TO TRUST FUNDS

Excludes employer and employee taxes for hospital insurance from the employer and employee taxes appropriated to the OASI Trust Fund.

12 SEC. 108. (a) (1) Section 201 (a) (3) of the Social  
13 Security Act is amended by inserting "(other than sections  
14 3101 (b) and 3111 (b) )" after "chapter 21" each place it  
15 appears therein.

Excludes self-employment for hospital insurance from the self-employment taxes appropriated to the OASI Trust Fund.

16 (2) Section 201 (a) (4) of such Act is amended by  
17 inserting "(other than section 1401 (b) )" after "chapter 2"  
18 and after "such subchapter or chapter".

19 (3) Section 201 (g) (1) of such Act is amended to  
20 read as follows:

Provides for payment from the Trust Funds of the costs to the DHEW of administering title XVIII of the Act (in addition to title II provided for in present law) and for adjustments among the Trust funds so that each fund bears its proportionate share of such costs.

21 "(1) (A) There are authorized to be made available  
22 for expenditure, out of any or all of the Trust Funds (which  
23 for purposes of this paragraph shall include also the Federal  
24 Hospital Insurance Trust Fund and the Federal Supple-  
25 mentary Health Insurance Benefits Trust Fund established

1 by title XVIII), such amounts as the Congress may deem  
2 appropriate to pay the costs of the part of the adminis-  
3 tration of this title and title XVIII for which the Secretary of  
4 Health, Education, and Welfare is responsible. During each  
5 fiscal year or after the close of such fiscal year (or at both  
6 times), the Secretary of Health, Education, and Welfare  
7 shall analyze the costs of administration of this title and  
8 title XVIII during the appropriate part or all of such fiscal  
9 year in order to determine the portion of such costs which  
10 should be borne by each of the Trust Funds and shall certify  
11 to the Managing Trustee the amount, if any, which should be  
12 transferred among such Trust Funds in order to assure that  
13 each of the Trust Funds bears its proper share of the costs  
14 incurred during such fiscal year for the part of the adminis-  
15 tration of this title and title XVIII for which the Secretary  
16 of Health, Education, and Welfare is responsible. The  
17 Managing Trustee is authorized and directed to transfer any  
18 such amount (determined under the preceding sentence)  
19 among such Trust Funds in accordance with any certification  
20 so made.

21 “(B) The Managing Trustee is directed to pay from the  
22 Trust Funds into the Treasury the amounts estimated by him  
23 which will be expended, out of moneys appropriated from  
24 the general funds in the Treasury, during each calendar  
25 quarter by the Treasury Department for the part of the

Provides for payments from the Trust Funds to the Treasury to meet the estimated quarterly costs to the Treasury of administration of title XVIII (in addition to title II provided for in present law) of the Social Security Act and of chapters 2 and 21 of the Internal Revenue Code of 1954.

1 administration of this title and title XVIII for which the  
 2 Treasury Department is responsible and for the administra-  
 3 tion of chapters 2 and 21 of the Internal Revenue Code of  
 4 1954. Such payments shall be covered into the Treasury  
 5 as repayment to the account for reimbursement of expenses  
 6 incurred in connection with such administration of this title  
 7 and title XVIII and chapters 2 and 21 of the Internal  
 8 Revenue Code of 1954."

9 (4) Section 201(g) (2) of such Act is amended by  
 10 inserting after "the amount estimated by him as taxes" the  
 11 following: "imposed under section 3101 (a)".

12 (5) Section 201(h) of such Act is amended by insert-  
 13 ing "(other than section 226)" after "this title".

14 (b) Section 218(h) (1) of such Act is amended by  
 15 striking out "Trust Funds in the ratio in which amounts are  
 16 appropriated to such Funds pursuant to subsections (a) (3)  
 17 and (b) (1) of section 201" and inserting in lieu thereof  
 18 "Trust Funds and the Federal Hospital Insurance Trust  
 19 Fund in the ratio in which amounts are appropriated to such  
 20 Funds pursuant to subsection (a) (3) of section 201, subsec-  
 21 tion (b) (1) of such section, and subsection (a) (1) of  
 22 section 1817, respectively".

23 (c) Section 1106(b) of such Act is amended by striking  
 24 out "and the Federal Disability Insurance Trust Fund" and  
 25 inserting in lieu thereof "the Federal Disability Insurance

In estimating the amount of employee taxes subject to refund the Managing Trustee shall consider only the taxes imposed for the support of the OASI and DI programs (Thereby taking account of the provisions of section 1817(e)(2), added by section 102 of the bill, for estimating amounts of employee taxes imposed for the hospital insurance program).

Payments made under the new section 226 (hospital insurance benefits) shall not be made from the OASI Trust Fund.

Provides for proportionate deposits in the Hospital Insurance Trust Fund as well as in the existing trust funds of amounts received by the Secretary of the Treasury under agreements for coverage of State and local government employees.

The HI trust fund, like the OASI and DI trust funds, may be reimbursed for costs of furnishing information (disclosure of which is authorized by regulations) or



1 Trust Fund, the Federal Hospital Insurance Trust Fund,  
 2 and the Federal Supplementary Health Insurance Benefits  
 3 Trust Fund”.

4 ADVISORY COUNCIL ON SOCIAL SECURITY

5 SEC. 109. (a) Title VII of the Social Security Act is  
 6 amended by adding at the end thereof the following new  
 7 section:

8 “ADVISORY COUNCIL ON SOCIAL SECURITY

9 “SEC. 706. (a) During 1968 and every fifth year there-  
 10 after, the Secretary shall appoint an Advisory Council on  
 11 Social Security for the purpose of reviewing the status of  
 12 the Federal Old-Age and Survivors Insurance Trust Fund,  
 13 the Federal Disability Insurance Trust Fund, the Federal  
 14 Hospital Insurance Trust Fund, and the Federal Supple-  
 15 mentary Health Insurance Benefits Trust Fund in relation to  
 16 the long-term commitments of the old-age, survivors, and dis-  
 17 ability insurance program and the programs under parts A  
 18 and B of title XVIII, and of reviewing the scope of coverage  
 19 and the adequacy of benefits under, and all other aspects of,  
 20 these programs, including their impact on the public assist-  
 21 ance programs under this Act.

22 “(b) Each such Council shall consist of the Commis-  
 23 sioner of Social Security, as Chairman, and 12 other persons,  
 24 appointed by the Secretary without regard to the civil serv-  
 25 ice laws. The appointed members shall, to the extent pos-

services to individuals or organizations.

Provides, in the Social Security Act, for appointment of an Advisory Council in 1968 and every 5th year thereafter to review the status of the 4 trust funds and all other aspects of the OASDI, HI, and SHIB programs, including their impact on the public assistance programs. (Present law provides for appointment of a Council in 1966 and every 5th year thereafter to review only the financing of the OASDI program.)

As under present law, the Council shall consist of 12 members appointed by the Secretary plus the Commissioner of Social Security as Chairman. (Unlike present law, shall represent organizations of employers and

employees, rather than just employers and employees.

Council's authority to engage outside assistance. (Same as present law.)

The members of the Council may be paid travel expenses and up to \$100 a day in salary rather than \$50 as under present law.

Requires the Council to submit its report--including separate reports on (1) the OASDI program, (2) the HI program, and (3) the SHIB program--to the Secretary of HEW for transmittal to the Congress and to the Board of Trustees. (Under present law, the Council's report is submitted to the Board

1 sible, represent organizations of employers and employees in  
2 equal numbers, and represent self-employed persons and the  
3 public.

4       “(c) (1) Any Council appointed hereunder is author-  
5 ized to engage such technical assistance, including actuarial  
6 services, as may be required to carry out its functions, and  
7 the Secretary shall, in addition, make available to such  
8 Council such secretarial, clerical, and other assistance and  
9 such actuarial and other pertinent data prepared by the  
10 Department of Health, Education, and Welfare as it may  
11 require to carry out such functions.

12       “(2) Appointed members of any such Council, while  
13 serving on business of the Council (inclusive of travel time),  
14 shall receive compensation at rates fixed by the Secretary, but  
15 not exceeding \$100 per day and, while so serving away from  
16 their homes or regular places of business, they may be  
17 allowed travel expenses, including per diem in lieu of sub-  
18 sistence, as authorized by section 5 of the Administrative  
19 Expenses Act of 1946 (5 U.S.C. 73b-2) for persons in the  
20 Government employed intermittently.

21       “(d) Each such Council shall submit reports of its find-  
22 ings and recommendations to the Secretary not later than  
23 January 1 of the second year after the year in which it is  
24 appointed, and such reports and recommendations shall  
25 thereupon be transmitted to the Congress and to the Board of

1 Trustees of each of the Trust Funds. The reports required  
2 by this subsection shall include—

of Trustees for inclusion in their  
annual report to the Congress.)

3 “(1) a separate report with respect to the old-age,  
4 survivors, and disability insurance program under title  
5 II and of the taxes imposed under sections 1401 (a),  
6 3101(a), and 3111 (a) of the Internal Revenue Code  
7 of 1954,

8 “(2) a separate report with respect to the hospital  
9 insurance program under part A of title XVIII and of  
10 the taxes imposed by sections 1401 (b), 3101 (b), and  
11 3111 (b) of the Internal Revenue Code of 1954, and

12 “(3) a separate report with respect to the supple-  
13 mentary health insurance benefits program established  
14 by part B of title XVIII and of the financing thereof.

15 After the date of the transmittal to the Congress of the re-  
16 ports required by this subsection, the Council shall cease to  
17 exist.”

18 (b) Effective January 1, 1966, section 116 (e) of the  
19 Social Security Amendments of 1956 is repealed.

Repeals present provisions for  
Advisory Councils on Social  
Security Financing.

20 MEANING OF TERM “SECRETARY”

21 SEC. 110. As used in this Act, and in the provisions of  
22 the Social Security Act amended by this Act, the term “Sec-  
23 retary”, unless the context otherwise requires, means the  
24 Secretary of Health, Education, and Welfare.

1 PART 2—GRANTS TO STATES FOR MEDICAL ASSISTANCE  
2 PROGRAMS

3 ESTABLISHMENT OF PROGRAMS

Adds title XIX to Social Security Act to make available Federal grants-in-aid to enable States to furnish medical assistance and rehabilitation services to families with dependent children, and aged, blind or disabled persons whose income and resources are insufficient to meet costs of necessary medical services.

4 SEC. 121. (a) The Social Security Act is amended by  
5 adding at the end thereof (after the new title XVIII added  
6 by section 102) the following new title:

7 "TITLE XIX—GRANTS TO STATES FOR MEDICAL  
8 ASSISTANCE PROGRAMS

9 "APPROPRIATION

10 "SEC. 1901. For the purpose of enabling each State, as  
11 far as practicable under the conditions in such State, to furnish (1) medical assistance on behalf of families with dependent children and of aged, blind, or permanently and  
12 totally disabled individuals, whose income and resources are  
13 insufficient to meet the costs of necessary medical services,  
14 and (2) rehabilitation and other services to help such families and individuals attain or retain capability for independence or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the  
15 purposes of this title. The sums made available under this  
16 section shall be used for making payments to States  
17 which have submitted, and had approved by the Secretary  
18 of Health, Education, and Welfare, State plans for medical  
19 assistance.



## 1 "STATE PLANS FOR MEDICAL ASSISTANCE

2 "SEC. 1902. (a) A State plan for medical assistance  
3 must—

Sets forth provisions to be  
included in State plans for  
medical assistance.

4 "(1) provide that it shall be in effect in all political  
5 subdivisions of the State, and, if administered by them,  
6 be mandatory upon them;

7 "(2) provide for financial participation by the State  
8 equal to not less than 40 per centum of the non-Federal  
9 share of the expenditures under the plan with respect to  
10 which payments under section 1903 are authorized by  
11 this title; and, effective July 1, 1970, provide for  
12 financial participation by the State equal to all of such  
13 non-Federal share;

14 "(3) provide for granting an opportunity for a fair  
15 hearing before the State agency to any individual whose  
16 claim for medical assistance under the plan is denied or  
17 is not acted upon with reasonable promptness;

18 "(4) provide such methods of administration (in-  
19 cluding methods relating to the establishment and main-  
20 tenance of personnel standards on a merit basis, except  
21 that the Secretary shall exercise no authority with respect  
22 to the selection, tenure of office, and compensation of any  
23 individual employed in accordance with such methods,  
24 and including provision for utilization of professional

1 medical personnel in the administration and, where ad-  
2 ministered locally, supervision of administration of the  
3 plan) as are found by the Secretary to be necessary for  
4 the proper and efficient operation of the plan;

5 “(5) provide that the State agency administering  
6 or supervising the administration of the plan of such  
7 State approved under title I, or under title XVI (inso-  
8 far as it relates to the aged), shall administer or super-  
9 vise the administration of the plan for medical assist-  
10 ance; and that any local agency administering the plan  
11 of such State approved under title I, or under title XVI  
12 (insofar as it relates to the aged), in a political sub-  
13 division, shall administer the plan for medical assistance  
14 in such subdivision;

15 “(6) provide that the State agency will make such  
16 reports, in such form and containing such information,  
17 as the Secretary may from time to time require, and  
18 comply with such provisions as the Secretary may from  
19 time to time find necessary to assure the correctness and  
20 verification of such reports;

21 “(7) provide safeguards which restrict the use or  
22 disclosure of information concerning applicants and  
23 recipients to purposes directly connected with the admin-  
24 istration of the plan;

25 “(8) provide that all individuals wishing to make

1 application for medical assistance under the plan shall  
2 have opportunity to do so, and that such assistance shall  
3 be furnished with reasonable promptness to all eligible  
4 individuals;

5 “(9) provide for the establishment or designation  
6 of a State authority or authorities which shall be respon-  
7 sible for establishing and maintaining standards for  
8 private or public institutions in which recipients of  
9 medical assistance under the plan may receive care or  
10 services;

11 “(10) provide for making medical assistance avail-  
12 able to all individuals receiving aid or assistance under  
13 State plans approved under titles I, IV, X, XIV, and  
14 XVI; and—

15 “(A) provide that the medical assistance made  
16 available to individuals receiving aid or assistance  
17 under any such State plan—

18 “(i) shall not be less in amount, duration,  
19 or scope than the medical assistance made avail-  
20 able to individuals receiving aid or assistance  
21 under any other such State plan, and

22 “(ii) shall not be less in amount, dura-  
23 tion, or scope than the medical assistance made  
24 available to individuals not receiving aid or  
25 assistance under any such plan; and

1           “(B) if medical assistance is included for any  
2           group of individuals who are not receiving aid or  
3           assistance under any such State plan and who do not  
4           meet the income and resources requirements of the  
5           one of such State plans which is appropriate, as  
6           determined in accordance with standards prescribed  
7           by the Secretary, provide—

8                   “(i) for making medical assistance avail-  
9                   able to all individuals who would, if needy, be  
10                  eligible for aid or assistance under any such  
11                  State plan and who have insufficient (as deter-  
12                  mined in accordance with comparable stand-  
13                  ards) income and resources to meet the costs of  
14                  necessary medical care and services, and

15                  “(ii) that the medical assistance made  
16                  available to all individuals not receiving aid or  
17                  assistance under any such State plan shall be  
18                  equal in amount, duration, and scope;

19                  “(11) provide for entering into cooperative arrange-  
20                  ments with the State agencies responsible for administer-  
21                  ing or supervising the administration of health services  
22                  and vocational rehabilitation services in the State looking  
23                  toward maximum utilization of such services in the  
24                  provision of medical assistance under the plan;

25                  “(12) provide that, in determining whether an



1 individual is blind, there shall be an examination by a  
2 physician skilled in the diseases of the eye or by an  
3 optometrist, whichever the individual may select;

4 “(13) provide for inclusion of some institutional and  
5 some noninstitutional care and services, and, effective  
6 July 1, 1967, provide (A) for inclusion of at least the  
7 care and services listed in clauses (1) through (5) of  
8 section 1905 (a), and (B) for payment of the reason-  
9 able cost (as determined in accordance with standards  
10 approved by the Secretary and included in the plan) of  
11 inpatient hospital services provided under the plan;

12 “(14) provide that (A) no deduction, cost sharing,  
13 or similar charge will be imposed under the plan on the  
14 individual with respect to inpatient hospital services  
15 furnished him under the plan, and (B) any deduction,  
16 cost sharing, or similar charge imposed under the plan  
17 with respect to any other medical assistance furnished  
18 him thereunder, and any enrollment fee, premium, or  
19 similar charge imposed under the plan, shall be reason-  
20 ably related (as determined in accordance with stand-  
21 ards approved by the Secretary and included in the  
22 plan) to the recipient's income or his income and  
23 resources;

24 “(15) in the case of eligible individuals 65 years

1 of age or older who are covered by either or both of  
2 the insurance programs established by title XVIII,  
3 provide—

4 “(A) for meeting the full cost of any deductible  
5 imposed with respect to any such individual under  
6 the insurance program established by part A of such  
7 title; and

8 “(B) where, under the plan, all of any de-  
9 ductible, cost sharing, or similar charge imposed  
10 with respect to any such individual under the insur-  
11 ance program established by part B of such title  
12 is not met, the portion thereof which is met shall  
13 be determined on a basis reasonably related (as  
14 determined in accordance with standards approved  
15 by the Secretary and included in the plan) to such  
16 individual's income or his income and resources;

17 “(16) provide for inclusion, to the extent required  
18 by regulations prescribed by the Secretary, of provisions  
19 (conforming to such regulations) with respect to the  
20 furnishing of medical assistance under the plan to in-  
21 dividuals who are residents of the State but are absent  
22 therefrom;

23 “(17) include reasonable standards (which shall  
24 be comparable for all groups) for determining eligibility  
25 for and the extent of medical assistance under the plan

1     which (A) are consistent with the objectives of this  
2     title, (B) provide for taking into account only such  
3     income and resources as are, as determined in accord-  
4     ance with standards prescribed by the Secretary, avail-  
5     able to the applicant or recipient and (in the case of  
6     any applicant or recipient who would, if he met the  
7     requirements as to need, be eligible for aid or assistance  
8     in the form of money payments under a State plan ap-  
9     proved under title I, IV, X, XIV, or XVI) as would  
10    not be disregarded (or set aside for future needs) in  
11    determining his eligibility for and amount of such aid  
12    or assistance under such plan, (C) provide for reason-  
13    able evaluation of any such income or resources, and  
14    (D) do not take into account the financial responsibility  
15    of any individual for any applicant or recipient of assist-  
16    ance under the plan unless such applicant or recipient  
17    is such individual's spouse or such individual's child  
18    who is under age 21 or is blind or permanently and  
19    totally disabled; and provide for flexibility in the ap-  
20    plication of such standards with respect to income by  
21    taking into account, except to the extent prescribed  
22    by the Secretary, the costs (whether in the form of  
23    insurance premiums or otherwise) incurred for medical  
24    care or for any other type of remedial care recognized  
25    under State law;

1           “(18) provide that no lien may be imposed against  
2           the property of any individual prior to his death on  
3           account of medical assistance paid or to be paid on his  
4           behalf under the plan (except pursuant to the judgment  
5           of a court on account of benefits incorrectly paid on  
6           behalf of such individual), and that there shall be no ad-  
7           justment or recovery (except, in the case of an indi-  
8           vidual who was 65 years of age or older when he received  
9           such assistance, from his estate, and then only after the  
10          death of his surviving spouse, if any, and only at a time  
11          when he has no surviving child who is under age 21 or is  
12          blind or permanently and totally disabled) of any medi-  
13          cal assistance correctly paid on behalf of such individual  
14          under the plan;

15          “(19) provide such safeguards as may be necessary  
16          to assure that eligibility for care and services under the  
17          plan will be determined, and such care and services will  
18          be provided, in a manner consistent with simplicity of  
19          administration and the best interests of the recipients;

20          “(20) if the State plan includes medical assistance  
21          in behalf of individuals 65 years of age or older who are  
22          patients in institutions for tuberculosis or mental  
23          diseases—

24                 “(A) provide for having in effect such agree-  
25                 ments or other arrangements with State authorities



1 concerned with mental diseases or tuberculosis (as  
2 the case may be) , and, where appropriate, with such  
3 institutions, as may be necessary for carrying out  
4 the State plan, including arrangements for joint  
5 planning and for development of alternate methods  
6 of care, arrangements providing assurance of im-  
7 mediate readmittance to institutions where needed  
8 for individuals under alternate plans of care, and  
9 arrangements providing for access to patients and  
10 facilities, for furnishing information, and for making  
11 reports;

12 “(B) provide for an individual plan for each  
13 such patient to assure that the institutional care  
14 provided to him is in his best interests, including, to  
15 that end, assurances that there will be initial and  
16 periodic review of his medical and other needs, that  
17 he will be given appropriate medical treatment  
18 within the institution, and that there will be a peri-  
19 odical determination of his need for continued treat-  
20 ment in the institution;

21 “(C) provide for the development of alternate  
22 plans of care, making maximum utilization of avail-  
23 able resources, for recipients 65 years of age or  
24 older who would otherwise need care in such insti-  
25 tutions, including appropriate medical treatment and

1 other aid or assistance; for services referred to in  
2 section 3 (a) (4) (A) (i) and (ii) or section 1603  
3 (a) (4) (A) (i) and (ii) which are appropriate  
4 for such recipients and for such patients; and for  
5 methods of administration necessary to assure that  
6 the responsibilities of the State agency under the  
7 State plan with respect to such recipients and such  
8 patients will be effectively carried out; and

9 “(D) provide methods of determining the rea-  
10 sonable cost of institutional care for such patients;  
11 and

12 “(21) if the State plan includes medical assistance  
13 in behalf of individuals 65 years of age or older who  
14 are patients in public institutions for mental diseases,  
15 show that the State is making satisfactory progress  
16 toward developing and implementing a comprehensive  
17 mental health program, including provision for utiliza-  
18 tion of community mental health centers, nursing homes,  
19 and other alternatives to care in public institutions for  
20 mental diseases.

21 Notwithstanding paragraph (5), if on January 1, 1965, and  
22 on the date on which a State submits its plan for approval  
23 under this title, the State agency which administered or  
24 supervised the administration of the plan of such State ap-  
25 proved under title X (or title XVI, insofar as it relates

1 to the blind) was different from the State agency which  
 2 administered or supervised the administration of the State  
 3 plan approved under title I (or title XVI, insofar as it  
 4 relates to the aged), the State agency which administered  
 5 or supervised the administration of such plan approved under  
 6 title X (or title XVI, insofar as it relates to the blind)  
 7 may be designated to administer or supervise the administra-  
 8 tion of the portion of the State plan for medical assistance  
 9 which relates to blind individuals and the State agency  
 10 which administered or supervised the administration of such  
 11 plan approved under title I (or title XVI, insofar as it  
 12 relates to the aged) may be established or designated to  
 13 administer or supervise the administration of the rest of  
 14 the State plan for medical assistance; and in such case  
 15 the part of the plan which each such agency administers,  
 16 or the administration of which each such agency supervises,  
 17 shall be regarded as a separate plan for purposes of this  
 18 title (except for purposes of paragraph (10)).

19 “(b) The Secretary shall approve any plan which ful-  
 20 fills the conditions specified in subsection (a), except that  
 21 he shall not approve any plan which imposes, as a condition  
 22 of eligibility for medical assistance under the plan—

23 “(1) an age requirement of more than 65 years; or

24 “(2) effective July 1, 1967, any age requirement  
 25 which excludes any individual who has not attained the

Secretary not to approve State  
 plan if it imposes certain  
 requirements as eligibility  
 conditions.

age of 21 and is or would, except for the provisions of section 406 (a) (2), be a dependent child under title IV; or

“(3) any residence requirement which excludes any individual who resides in the State; or

“(4) any citizenship requirement which excludes any citizen of the United States.

“(c) Notwithstanding subsection (b), the Secretary shall not approve any State plan for medical assistance if he determines that the approval and operation of the plan will result in a reduction in aid or assistance (other than so much of the aid or assistance as is provided for under the plan of the State approved under this title) provided for eligible individuals under a plan of such State approved under title I, IV, X, XIV, or XVI.

#### “PAYMENT TO STATES

“SEC. 1903. (a) From the sums appropriated therefor, the Secretary (except as otherwise provided in this section and section 1117) shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing January 1, 1966—

“(1) an amount equal to the Federal medical assistance percentage (as defined in section 1905 (b)) of the total amount expended during such quarter as medical assistance under the State plan (including ex-

Provides Secretary not to approve State plan if he determines that approval and operation of plan will result in reduction in aid or assistance (except to extent provided under this title) under State's approved plan for assistance to aged, blind or disabled individuals or families with dependent children.

Federal grants available beginning January 1, 1966.

Federal matching of State expenditures will range from 50 to 83 percent (in accordance with section 1905(b)) depending on per capita income of State as related to that of



penditures for premiums under part B of title XVIII, for individuals who are recipients of money payments under a State plan approved under title I, IV, X, XIV, or XVI, and other insurance premiums for medical or any other type of remedial care or the cost thereof); plus

“(2) an amount equal to 75 per centum of so much of the sums expended during such quarter (as found necessary by the Secretary for the proper and efficient administration of the State plan) as are attributable to compensation of skilled professional medical personnel, and staff directly supporting such personnel, of the State agency (or of the local agency administering the State plan in the political subdivision); plus

“(3) an amount equal to 50 per centum of the remainder of the amounts expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan.

“(b) Notwithstanding the preceding provisions of this section, the amount determined under such provisions for any State for any quarter which is attributable to expenditures with respect to individuals 65 years of age or older who are patients in institutions for tuberculosis or mental diseases shall be paid only to the extent that the State makes a showing satisfactory to the Secretary that total expendi-

Nation, except for Puerto Rico, Virgin Islands and Guam, for which Federal matching is set at 55 percent.

Federal share of administrative costs attributable to skilled medical personnel is 75 percent; other administrative costs at 50 percent.

Makes Federal share in State expenditures for old-age assistance or medical assistance for aged with respect to patients in institutions for tuberculosis or mental diseases contingent upon corresponding increase in total expenditures in the State for mental health services.

1 tures from Federal, State, and local sources for men-  
 2 tal health services (including payments to or in behalf of  
 3 individuals with mental health problems) under State and  
 4 local public health and public welfare programs for such quar-  
 5 ter exceed the average of the total expenditures from such  
 6 sources for such services under such programs for each quar-  
 7 ter of the fiscal year ending June 30, 1965. For purposes of  
 8 this subsection, expenditures for such services for each quar-  
 9 ter in the fiscal year ending June 30, 1965, in the case of  
 10 any State shall be determined on the basis of the latest data,  
 11 satisfactory to the Secretary, available to him at the time of  
 12 the first determination by him under this subsection for such  
 13 State; and expenditures for such services for any quarter  
 14 beginning after December 31, 1965, in the case of any  
 15 State shall be determined on the basis of the latest data,  
 16 satisfactory to the Secretary, available to him at the time  
 17 of the determination under this subsection for such State for  
 18 such quarter; and determinations so made shall be conclusive  
 19 for purposes of this subsection.

Adjustment of Federal medical  
 assistance percentage for  
 State not otherwise receiving  
 full advantage under title  
 XIX formula.

20 “(c) (1) If the Secretary finds, on the basis of satisfac-  
 21 tory information furnished by a State, that the Federal med-  
 22 ical assistance percentage for such State applicable to any  
 23 quarter in the period beginning January 1, 1966, and ending  
 24 with the close of June 30, 1969, is less than 105 per centum  
 25 of the Federal share of medical expenditures by the State

1 during the fiscal year ending June 30, 1965 (as determined  
 2 under paragraph (2) ), then 105 per centum of such Federal  
 3 share shall be the Federal medical assistance percentage (in-  
 4 stead of the percentage determined under section 1905 (b) )  
 5 for such State for such quarter and each quarter thereafter  
 6 occurring in such period and prior to the first quarter with  
 7 respect to which such a finding is not applicable.

8 “(2) For purposes of paragraph (1) , the Federal share  
 9 of medical expenditures by a State during the fiscal year  
 10 ending June 30, 1965, means the percentage which the ex-  
 11 cess of—

12 “(A) the total of the amounts determined under  
 13 sections 3, 403, 1003, 1403, and 1603 with respect to  
 14 expenditures by such State during such year as aid or  
 15 assistance under its State plans approved under titles I,  
 16 IV, X, XIV, and XVI, over

17 “(B) the total of the amounts which would have  
 18 been determined under such sections with respect to  
 19 such expenditures during such year if expenditures as aid  
 20 or assistance in the form of medical or any other type of  
 21 remedial care had not been counted,

22 is of the total expenditures as aid or assistance in the form  
 23 of medical or any other type of remedial care under such  
 24 plans during such year.

25 “(d) (1) Prior to the beginning of each quarter, the

Provides procedures for

estimating amount of quarterly Federal payments, for making the payments, and for adjustments due to underpayment or overpayment.

1 Secretary shall estimate the amount to which a State will  
2 be entitled under subsections (a), (b), and (c) for such  
3 quarter, such estimates to be based on (A) a report filed by  
4 the State containing its estimate of the total sum to be ex-  
5 pended in such quarter in accordance with the provisions of  
6 such subsections, and stating the amount appropriated or  
7 made available by the State and its political subdivisions for  
8 such expenditures in such quarter, and if such amount is less  
9 than the State's proportionate share of the total sum of such  
10 estimated expenditures, the source or sources from which  
11 the difference is expected to be derived, and (B) such other  
12 investigation as the Secretary may find necessary.

13       “(2) The Secretary shall then pay to the State, in  
14 such installments as he may determine, the amount so esti-  
15 mated, reduced or increased to the extent of any overpay-  
16 ment or underpayment which the Secretary determines was  
17 made under this section to such State for any prior quarter  
18 and with respect to which adjustment has not already been  
19 made under this subsection.

20       “(3) The pro rata share to which the United States is  
21 equitably entitled, as determined by the Secretary, of the net  
22 amount recovered during any quarter by the State or any  
23 political subdivision thereof with respect to medical assistance  
24 furnished under the State plan shall be considered an over-  
25 payment to be adjusted under this subsection.



1       “(4) Upon the making of any estimate by the Secretary  
2 under this subsection, any appropriations available for pay-  
3 ments under this section shall be deemed obligated.

4       “(e) The Secretary shall not make payments under the  
5 preceding provisions of this section to any State unless the  
6 State makes a satisfactory showing that it is making efforts in  
7 the direction of broadening the scope of the care and services  
8 made available under the plan and in the direction of liberal-  
9 izing the eligibility requirements for medical assistance, with  
10 a view toward furnishing by July 1, 1975, comprehensive  
11 care and services to substantially all individuals who meet  
12 the plan's eligibility standards with respect to income and  
13 resources, including services to enable such individuals to  
14 attain or retain independence or self-care.

15               “OPERATION OF STATE PLANS

16       “SEC. 1904. If the Secretary, after reasonable notice  
17 and opportunity for hearing to the State agency administer-  
18 ing or supervising the administration of the State plan  
19 approved under this title, finds—

20       “(1) that the plan has been so changed that it no  
21 longer complies with the provisions of section 1902; or

22       “(2) that in the administration of the plan there is  
23 a failure to comply substantially with any such provision;  
24 the Secretary shall notify such State agency that further  
25 payments will not be made to the State (or, in his discretion,

Payments to States conditioned upon satisfactory showing of efforts toward broadening scope of care and services, and liberalizing eligibility requirements.

After notice and opportunity for hearing to State, provides for withholding of Federal funds (in whole or in part) on finding of noncompliance with plan requirements as result of change in State plan or failure in administration of plan.

1 that payments will be limited to categories under or parts of  
 2 the State plan not affected by such failure), until the Secre-  
 3 tary is satisfied that there will no longer be any such failure  
 4 to comply. Until he is so satisfied he shall make no further  
 5 payments to such State (or shall limit payments to categories  
 6 under or parts of the State plan not affected by such failure).

7 "DEFINITIONS

8 "SEC. 1905. For purposes of this title—

9 "(a) The term 'medical assistance' means payment of  
 10 part or all of the cost of the following care and services (if  
 11 provided in or after the third month before the month in  
 12 which the recipient makes application for assistance) for in-  
 13 dividuals who, except for section 406 (a) (2), are (or would,  
 14 if needy, be) dependent children under title IV (and are  
 15 under the age of 21) or who are relatives specified in sec-  
 16 tion 406 (b) (1) with whom such children are living, or who  
 17 are 65 years of age or older, are blind, or are 18 years of  
 18 age or older and permanently and totally disabled, but whose  
 19 income and resources are insufficient to meet all of such  
 20 cost—

Defines "medical assistance."

Lists the services included in  
 term "medical assistance."

21 "(1) inpatient hospital services;  
 22 "(2) outpatient hospital services;  
 23 "(3) other laboratory and X-ray services;  
 24 "(4) skilled nursing home services;  
 25 "(5) physicians' services, whether furnished in the

1 office, the patient's home, a hospital, or a skilled nursing  
2 home, or elsewhere;

3 "(6) medical care, or any other type of remedial  
4 care recognized under State law, furnished by licensed  
5 practitioners within the scope of their practice as defined  
6 by State law;

7 "(7) home health care services;

8 "(8) private duty nursing services;

9 "(9) clinic services;

10 "(10) dental services;

11 "(11) physical therapy and related services;

12 "(12) prescribed drugs, dentures, and prosthetic  
13 devices; and eyeglasses prescribed by a physician skilled  
14 in diseases of the eye or by an optometrist, whichever  
15 the individual may select;

16 "(13) other diagnostic, screening, preventive, and  
17 rehabilitative services; and

18 "(14) any other medical care, and any other type  
19 of remedial care recognized under State law, specified  
20 by the Secretary;

21 except that such term does not include—

22 "(A) any such payments with respect to care or  
23 services for any individual who is an inmate of a public  
24 institution (except as a patient in a medical institution) ;  
25 or

Term "medical assistance" ex-  
cludes such assistance (A) for  
an inmate of public institu-  
tion other than patient in  
medical institution, or (B)  
for any individual not 65  
years of age who is patient in

institution for tuberculosis  
or mental disease.

1           “(B) any such payments with respect to care or  
2           services for any individual who has not attained 65 years  
3           of age and who is a patient in an institution for tubercu-  
4           losis or mental diseases.

Defines term "Federal medical  
assistance percentage."

5           “(b) The term ‘Federal medical assistance percentage’  
6           for any State shall be 100 per centum less the State per-  
7           centage; and the State percentage shall be that percentage  
8           which bears the same ratio to 45 per centum as the square  
9           of the per capita income of such State bears to the square of  
10          the per capita income of the continental United States (in-  
11          cluding Alaska) and Hawaii; except that (1) the Federal  
12          medical assistance percentage shall in no case be less than 50  
13          per centum or more than 83 per centum, and (2) the Fed-  
14          eral medical assistance percentage for Puerto Rico, the Vir-  
15          gin Islands, and Guam shall be 55 per centum. The Federal  
16          medical assistance percentage for any State shall be deter-  
17          mined and promulgated in accordance with the provisions of  
18          subparagraph (B) of section 1101 (a) (8); except that the  
19          Secretary shall promulgate such percentage as soon as pos-  
20          sible after the enactment of this title, which promulgation  
21          shall be conclusive for each of the six quarters in the period  
22          beginning January 1, 1966, and ending with the close of  
23          June 30, 1967.”

Federal sharing for vendor  
medical care payments under

24          (b) No payment may be made to any State under  
25          title I, IV, X, XIV, or XVI of the Social Security Act



1 with respect to aid or assistance in the form of medical or  
 2 any other type of remedial care for any period for which  
 3 such State receives payments under title XIX of such Act,  
 4 or for any period after June 30, 1967.

5 (c) (1) Effective January 1, 1966, section 1101 (a)  
 6 (1) of the Social Security Act is amended by striking out  
 7 "and XVI" and inserting in lieu thereof "XVI, and XIX".

8 (2) Section 1109 of such Act is amended by adding at  
 9 the end thereof the following new sentence: "Any amount  
 10 which is disregarded (or set aside for future needs) in deter-  
 11 mining eligibility for and amount of the aid or assistance for  
 12 any individual under a State plan approved under title I,  
 13 IV, X, XIV, XVI, or XIX shall not be taken into con-  
 14 sideration in determining the eligibility for or amount of  
 15 medical assistance for any other individual under a State  
 16 plan approved under title XIX."

17 (3) Effective January 1, 1966, section 1115 of such  
 18 Act is amended by striking out "or XVI", "or 1602", and  
 19 "or 1603" and inserting in lieu thereof "XVI, or XIX",  
 20 "1602, or 1902", and "1603, or 1903", respectively.

21 PAYMENT BY STATES OF PREMIUMS FOR SUPPLEMENTARY

22 HEALTH INSURANCE

23 SEC. 122. Sections 3 (a), 403 (a), 1003 (a), 1403 (a),  
 24 and 1603 (a) of the Social Security Act are each amended

titles I, IV, X, XIV or XVI  
 ends with June 30, 1967.

Includes premiums for Supple-  
 mentary Health Insurance in  
 expenditures for old-age

assistance, aid to families with dependent children, aid to blind, aid to permanently and totally disabled, or aid to the aged, blind or disabled.

1 by inserting "premiums under part B of title XVIII for in-  
2 dividuals who are recipients of money payments under such  
3 plan and other" after "expenditures for" in the parenthetical  
4 phrase appearing in so much of paragraph (1) thereof as  
5 precedes clause (A).

6 TITLE II—OTHER AMENDMENTS RELATING TO  
7 HEALTH CARE

8 PART 1—MATERNAL AND CHILD HEALTH AND CRIPPLED  
9 CHILDREN'S SERVICES

10 INCREASE IN MATERNAL AND CHILD HEALTH SERVICES

Increases the authorization for maternal and child health services by \$5,000,000 for the fiscal year ending June 30, 1966 and by \$10,000,000 for each fiscal year thereafter.

11 SEC. 201. (a) The first sentence of section 501 of  
12 the Social Security Act is amended by striking out  
13 "\$40,000,000" and all that follows and inserting in lieu  
14 thereof "\$45,000,000 for the fiscal year ending June 30,  
15 1966, \$50,000,000 for the fiscal year ending June 30, 1967,  
16 \$55,000,000 for the fiscal year ending June 30, 1968,  
17 \$55,000,000 for the fiscal year ending June 30, 1969, and  
18 \$60,000,000 for the fiscal year ending June 30, 1970, and  
19 succeeding fiscal years."

Requires after June 30, 1966 a satisfactory showing of progressive extension of maternal and child health services in the State.

20 (b) Section 504 of such Act is amended by adding at  
21 the end thereof the following new subsection:

22 "(d) Notwithstanding the preceding provisions of this  
23 section, no payment shall be made to any State thereunder  
24 for any period after June 30, 1966, unless it makes a satis-

1 factory showing that the State is extending the provision of  
 2 maternal and child health services in the State with a view  
 3 to making such services available by July 1, 1975, to  
 4 children in all parts of the State."

5 INCREASE IN CRIPPLED CHILDREN'S SERVICES

6 SEC. 202. (a) The first sentence of section 511 of the  
 7 Social Security Act is amended by striking out "\$40,-  
 8 000,000" and all that follows and inserting in lieu thereof  
 9 "\$45,000,000 for the fiscal year ending June 30, 1966,  
 10 \$50,000,000 for the fiscal year ending June 30, 1967,  
 11 \$55,000,000 for the fiscal year ending June 30, 1968,  
 12 \$55,000,000 for the fiscal year ending June 30, 1969, and  
 13 \$60,000,000 for the fiscal year ending June 30, 1970, and  
 14 succeeding fiscal years."

Increases the authorization  
 for crippled children's  
 services by \$5,000,000 for  
 the fiscal year ending  
 June 30, 1966 and by  
 \$10,000,000 for each fiscal  
 year thereafter.

15 (b) Section 514 of such Act is amended by adding at  
 16 the end thereof the following new subsection:

Requires after June 30, 1966 a  
 satisfactory showing of progres-  
 sive extension of crippled  
 children's services in the  
 State.

17 "(d) Notwithstanding the preceding provisions of this  
 18 subsection, no payment shall be made to any State there-  
 19 under for any period after June 30, 1966, unless it makes  
 20 a satisfactory showing that the State is extending the pro-  
 21 vision of crippled children's services in the State with a  
 22 view to making such services available by July 1, 1975, to  
 23 children in all parts of the State."

1 TRAINING OF PROFESSIONAL PERSONNEL FOR THE CARE OF  
2 CRIPPLED CHILDREN

Authorizes appropriations of \$5,000,000 for the fiscal year ending June 30, 1967, \$10,000,000 for the fiscal year ending June 30, 1968, and \$17,500,000 for each fiscal year thereafter for the training of health personnel for the care of crippled children, particularly mentally retarded children and children with multiple handicaps.

3 SEC. 203. (a) Part 2 of title V of the Social Security  
4 Act is amended by adding at the end thereof the following  
5 new section:

6 "TRAINING OF PROFESSIONAL PERSONNEL

7 "SEC. 516. There are authorized to be appropriated  
8 \$5,000,000 for the fiscal year ending June 30, 1967, \$10,-  
9 000,000 for the fiscal year ending June 30, 1968, and  
10 \$17,500,000 for each fiscal year thereafter, for grants by the  
11 Secretary to public or other nonprofit institutions of higher  
12 learning for training professional personnel for health and  
13 related care of crippled children, particularly mentally re-  
14 tard children and children with multiple handicaps."

15 (b) The second sentence of section 514 (c) of such Act  
16 is amended by striking out "section 512 (b)" and inserting  
17 in lieu thereof "section 512 (b) or 516".

18 PAYMENT FOR INPATIENT HOSPITAL SERVICES

Provides for the payment of the reasonable cost of inpatient hospital services provided under the maternal and child health and crippled children's services plans.

19 SEC. 204. (a) Section 503 (a) of the Social Security  
20 Act is amended by striking out "and" before clause (7) and  
21 by inserting before the period at the end thereof the follow-  
22 ing new clause: "; and (8) effective July 1, 1967, provide  
23 for payment of the reasonable cost (as determined in accord-  
24 ance with standards approved by the Secretary and included



1 in the plan) of inpatient hospital services provided under the  
2 plan”.

3 (b) Section 513 (a) of such Act is amended by striking  
4 out “and” before clause (6) and by inserting before the pe-  
5 riod at the end thereof the following new clause: “; and (7)  
6 effective July 1, 1967, provide for payment of the reason-  
7 able cost (as determined in accordance with standards ap-  
8 proved by the Secretary and included in the plan) of  
9 inpatient hospital services provided under the plan”.

10 SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND  
11 PRESCHOOL CHILDREN

12 SEC. 205. Part 4 of title V of the Social Security Act is  
13 amended (1) by revising the heading thereof to read as  
14 follows: “PART 4—GRANTS FOR SPECIAL MATERNITY AND  
15 INFANT CARE PROJECTS, FOR PROJECTS FOR HEALTH OF  
16 SCHOOL AND PRESCHOOL CHILDREN, AND FOR RESEARCH  
17 PROJECTS”; (2) by redesignating section 532 as section  
18 533; and (3) by inserting after section 531 the following  
19 new section:

20 “SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND  
21 PRESCHOOL CHILDREN

22 “SEC. 532. (a) In order to promote the health of chil-  
23 dren and youth of school or preschool age, particularly in  
24 areas with concentrations of low-income families, there are

Authorizes appropriations of  
\$15,000,000 for the fiscal  
year ending June 30, 1966,  
\$35,000,000 for the fiscal  
year ending June 30, 1967,  
\$40,000,000 for the fiscal  
year ending June 30, 1968,  
\$45,000,000 for the fiscal

year ending June 30, 1969, and \$50,000,000 for the fiscal year ending June 30, 1970 for grants to promote the health of children and youth of school and pre-school age particularly in areas with concentration of low-income families.

Grants may pay not to exceed 75 percent of the cost of projects of a comprehensive nature for health care and services for children of school age and pre-school children.

1 authorized to be appropriated \$15,000,000 for the fiscal year  
2 ending June 30, 1966, \$35,000,000 for the fiscal year end-  
3 ing June 30, 1967, \$40,000,000 for the fiscal year ending  
4 June 30, 1968, \$45,000,000 for the fiscal year ending June  
5 30, 1969, and \$50,000,000 for the fiscal year ending June  
6 30, 1970, for grants as provided in this section.

7 “(b) From the sums appropriated pursuant to subsec-  
8 tion (a), the Secretary is authorized to make grants to  
9 the State health agency of any State and (with the consent  
10 of such agency) to the health agency of any political sub-  
11 division of the State, to the State agency of the State admin-  
12 istering or supervising the administration of the State plan  
13 approved under section 513, to any school of medicine (with  
14 appropriate participation by a school of dentistry), and  
15 to any teaching hospital affiliated with such a school, to pay  
16 not to exceed 75 per centum of the cost of projects of a  
17 comprehensive nature for health care and services for chil-  
18 dren and youth of school age or for preschool children (to  
19 help them prepare to start school). No project shall be  
20 eligible for a grant under this section unless it provides  
21 (1) for the coordination of health care and services pro-  
22 vided under it with, and utilization (to the extent feasible)  
23 of, other State or local health, welfare, and education pro-  
24 grams for such children, (2) for payment of the reasonable  
25 cost (as determined in accordance with standards approved

1 by the Secretary) of inpatient hospital services provided  
 2 under the project, and (3) that any treatment, correction  
 3 of defects, or aftercare provided under the project is avail-  
 4 able only to children who would not otherwise receive it  
 5 because they are from low-income families or for other  
 6 reasons beyond their control; and no such project for chil-  
 7 dren and youth of school age shall be considered to be of a  
 8 comprehensive nature for purposes of this section unless it  
 9 includes (subject to the limitation in the preceding provi-  
 10 sions of this sentence) at least such screening, diagnosis,  
 11 preventive services, treatment, correction of defects, and  
 12 aftercare, both medical and dental, as may be provided  
 13 for in regulations of the Secretary.

14       “(c) Payment of grants under this section may be  
 15 made (after necessary adjustment on account of previously  
 16 made underpayments or overpayments) in advance or by  
 17 way of reimbursement, and in such installments and on such  
 18 conditions, as the Secretary may determine.”

#### 19                   EVALUATION AND REPORT

20       SEC. 206. The Secretary shall submit to the President  
 21 for transmission to the Congress before July 1, 1969, a full  
 22 report of the administration of the provisions of section 532  
 23 of the Social Security Act (as added by section 205 of this  
 24 Act), together with an evaluation of the program established

To be of a comprehensive nature projects must provide for such screening, diagnosis, preventive services, treatment, correction of defects and after care as required by the Secretary.

Requires the Secretary to make a full report before July 1, 1969 of the administration of project grants for the health care of school and pre-school children with his evaluation and recommendations as to continuation or modification of the programs.

1 thereby and his recommendations as to continuation of  
2 and modifications in that program.

3 PART 2—IMPLEMENTATION OF MENTAL RETARDATION

4 PLANNING

5 . AUTHORIZATION OF APPROPRIATIONS

Authorizes appropriations of  
\$2,750,000 each for the  
fiscal years 1966 and 1967  
for initiating the implementa-  
tion and follow-up of mental  
retardation planning grants.

6 SEC. 211. (a) Section 1701 of the Social Security Act  
7 is amended by adding at the end thereof the following new  
8 sentence: "There are also authorized to be appropriated,  
9 for assisting such States in initiating the implementation and  
10 carrying out of planning and other steps to combat mental  
11 retardation, \$2,750,000 for the fiscal year ending June 30,  
12 1966, and \$2,750,000 for the fiscal year ending June 30,  
13 1967."

14 (b) The first sentence of section 1702 of such Act is  
15 amended by inserting "the first sentence of" before "section  
16 1701" and by inserting the following before the period at  
17 the end thereof "; and the sums appropriated pursuant to  
18 the second sentence of such section for the fiscal year ending  
19 June 30, 1966, shall be available for such grants during such  
20 year and the next two fiscal years, and sums appropriated  
21 pursuant thereto for the fiscal year ending June 30, 1967,  
22 shall be available for such grants during such year and the  
23 succeeding fiscal year".



1 PART 3—PUBLIC ASSISTANCE AMENDMENTS RELATING  
2 TO HEALTH CARE

3 REMOVAL OF LIMITATIONS ON FEDERAL PARTICIPATION IN  
4 ASSISTANCE TO AGED INDIVIDUALS WITH TUBERCULO-  
5 SIS OR MENTAL DISEASE

6 SEC. 221. (a) (1) Section 6(a) of the Social Security  
7 Act is amended to read as follows:

8 “(a) For the purposes of this title, the term ‘old-age  
9 assistance’ means money payments to, or (if provided in  
10 or after the third month before the month in which the  
11 recipient makes application for assistance) medical care in  
12 behalf of or any type of remedial care recognized under State  
13 law in behalf of, needy individuals who are 65 years of  
14 age or older, but does not include any such payments to  
15 or care in behalf of any individual who is an inmate of a  
16 public institution (except as a patient in a medical institu-  
17 tion).”

18 (2) Section 6(b) of such Act is amended by striking  
19 out all that follows clause (12) and inserting in lieu thereof  
20 the following:  
21 “except that such term does not include any such payments  
22 with respect to care or services for any individual who is  
23 an inmate of a public institution (except as a patient in a  
24 medical institution).”

Eliminates language in present law that precludes Federal sharing in old-age assistance payments to or in behalf of patients in institutions for tuberculosis or mental diseases or in medical institutions with diagnosis of tuberculosis or psychosis.

Eliminates language in present law that precludes Federal sharing in payments for medical assistance for the aged when individual is in institution for tuberculosis of mental diseases or in medical institution with diagnosis of tuberculosis of psychosis for more than 42 days.

1 (3) Section 2 (a) of such Act is amended (A) by  
 2 striking out "and" at the end of paragraph (10); (B) by  
 3 striking out the period at the end of paragraph (11) and  
 4 inserting in lieu thereof a semicolon; and (C) by adding  
 5 after paragraph (11) the following new paragraphs:

6 "(12) if the State plan includes assistance to or in  
 7 behalf of individuals who are patients in institutions for  
 8 tuberculosis or mental diseases—

9 "(A) provide for having in effect such agree-  
 10 ments or other arrangements with State authorities  
 11 concerned with mental diseases or tuberculosis (as  
 12 the case may be), and, where appropriate, with  
 13 such institutions, as may be necessary for carrying  
 14 out the State plan, including arrangements for joint  
 15 planning and for development of alternate methods  
 16 of care, arrangements providing assurance of im-  
 17 mediate readmittance to institutions where needed  
 18 for individuals under alternate plans of care, and  
 19 arrangements providing for access to patients and  
 20 facilities, for furnishing information, and for making  
 21 reports;

22 "(B) provide for an individual plan for each  
 23 such patient to assure that the institutional care

If a State elects to make pay-  
 ments of old-age assistance or  
 medical assistance for the aged  
 to or for patients in institu-  
 tions for tuberculosis or  
 mental diseases or in medical  
 institutions with a diagnosis  
 of such diseases, the State  
 plan must provide for:

Agreements with State  
 authorities for mental  
 diseases or tuberculosis;

An individual plan to assure  
 that care provided is in best  
 interests of the aged patient;

provided to him is in his best interests, including, to that end, assurances that there will be initial and periodic review of his medical and other needs, that he will be given appropriate medical treatment within the institution, and that there will be a periodic determination of his need for continued treatment in the institution;

“(C) provide for the development of alternate plans of care, making maximum utilization of available resources, for recipients who would otherwise need care in such institutions, including appropriate medical treatment and other assistance; for services referred to in section 3 (a) (4) (A) (i) and (ii) which are appropriate for such recipients and for such patients; and for methods of administration necessary to assure that the responsibilities of the State agency under the State plan with respect to such recipients and such patients will be effectively carried out; and

“(D) provide methods of determining the reasonable cost of institutional care for such patients; and

“(13) if the State plan includes assistance to or in behalf of patients in public institutions for mental diseases, show that the State is making satisfactory

Development of alternate plans of care, provision of appropriate medical treatment and other assistance and services, necessary methods of administration; and

Methods for determining reasonable cost of institutional care.

If State elects to make payments of old-age assistance or medical assistance for aged in public institutions for mental diseases, the State must

show satisfactory progress toward a comprehensive mental health program.

Makes Federal share in State expenditures for old-age assistance or medical assistance for aged with respect to patients in institutions for tuberculosis or mental diseases contingent upon corresponding increase in total expenditures in the State for mental health services.

1 progress toward developing and implementing a com-  
2 prehensive mental health program, including provision  
3 for utilization of community mental health centers, nurs-  
4 ing homes, and other alternatives to care in public in-  
5 stitutions for mental diseases.”

6 (4) Section 3 of such Act is amended by adding at  
7 the end thereof the following new subsection:

8 “(d) Notwithstanding the preceding provisions of this  
9 section, the amount determined under such provisions for  
10 any State for any quarter which is attributable to expendi-  
11 tures with respect to patients in institutions for tuberculosis  
12 or mental diseases shall be paid only to the extent that  
13 the State makes a showing satisfactory to the Secretary that  
14 total expenditures in the State from Federal, State, and local  
15 sources for mental health services (including payments to or  
16 in behalf of individuals with mental health problems) under  
17 State and local public health and public welfare programs  
18 for such quarter exceed the average of the total expenditures  
19 in the State from such sources for such services under such  
20 programs for each quarter of the fiscal year ending June 30,  
21 1965. For purposes of this subsection, expenditures for such  
22 services for each quarter in the fiscal year ending June 30,  
23 1965, in the case of any State shall be determined on the  
24 basis of the latest data, satisfactory to the Secretary, avail-  
25 able to him at the time of the first determination by him



1 under this subsection for such State; and expenditures for  
 2 such services for any quarter beginning after December 31,  
 3 1965, in the case of any State shall be determined on the  
 4 basis of the latest data, satisfactory to the Secretary, available  
 5 to him at the time of the determination under this subsection  
 6 for such State for such quarter; and determinations so made  
 7 shall be conclusive for purposes of this subsection."

8 (b) Section 1006 of such Act is amended by striking  
 9 out clauses (a) and (b) and inserting in lieu thereof the  
 10 following: "who is a patient in an institution for tuberculosis  
 11 or mental diseases".

12 (c) Section 1405 of such Act is amended by striking  
 13 out clauses (a) and (b) and inserting in lieu thereof the  
 14 following: "who is a patient in an institution for tuberculosis  
 15 or mental diseases".

16 (d) (1) Section 1605 (a) of such Act is amended to  
 17 read as follows:

18 "(a) For purposes of this title, the term 'aid to the  
 19 aged, blind, or disabled' means money payments to, or (if  
 20 provided in or after the third month before the month in  
 21 which the recipient makes application for aid) medical care  
 22 in behalf of or any type of remedial care recognized under  
 23 State law in behalf of, needy individuals who are 65 years  
 24 of age or older, are blind, or are 18 years of age or over

Deletes language in present law that precludes Federal sharing in aid to the blind payments when individual is patient in a medical institution because of diagnosis of tuberculosis or psychosis.

In combined program of aid to aged, blind or disabled, removes exclusion under present law of Federal sharing in payments to or for aged individuals in institutions for tuberculosis or mental diseases and in payments to aged, blind or disabled individuals in a medical institution for more than 42 days with diagnosis of tuberculosis or psychosis.

1 and permanently and totally disabled, but such term does not  
2 include—

3 “(1) any such payments to or care in behalf of any  
4 individual who is an inmate of a public institution (ex-  
5 cept as a patient in a medical institution) ; or

6 “(2) any such payments to or care in behalf of  
7 any individual who has not attained 65 years of age  
8 and who is a patient in an institution for tuberculosis  
9 or mental diseases.”

Eliminates language in present law that precludes Federal sharing in payments for medical assistance for the aged when individual is in institution for tuberculosis or mental diseases or in a medical institution for more than 42 days with diagnosis of tuberculosis or psychosis.

10 (2) Section 1605 (b) of such Act is amended by strik-  
11 ing out all that follows clause (12) and inserting in lieu  
12 thereof the following:

13 “except that such term does not include any such payments  
14 with respect to care or services for any individual who is an  
15 inmate of a public institution (except as a patient in a medi-  
16 cal institution).”

If State elects to make payments to or for aged individuals in institutions for tuberculosis or mental diseases or in medical institutions with diagnosis of tuberculosis or psychosis, the State plan must meet certain requirements.

17 (3) Section 1602 (a) of such Act is amended (A) by  
18 striking out “and” at the end of paragraph (14) ; (B) by  
19 striking out the period at the end of paragraph (15) and  
20 inserting in lieu thereof a semicolon; and (C) by adding  
21 after paragraph (15) the following new paragraphs:

22 “(16) if the State plan includes aid or assistance  
23 to or in behalf of individuals 65 years of age or older who  
24 are patients in institutions for tuberculosis or mental  
25 diseases—

1           “(A) provide for having in effect such agree-  
2           ments or other arrangements with State authorities  
3           concerned with mental diseases or tuberculosis (as  
4           the case may be), and, where appropriate, with such  
5           institutions, as may be necessary for carrying out  
6           the State plan, including arrangements for joint  
7           planning and for development of alternate methods  
8           of care, arrangements providing assurance of im-  
9           mediate readmittance to institutions where needed  
10          for individuals under alternate plans of care, and  
11          arrangements providing for access to patients and  
12          facilities, for furnishing information, and for making  
13          reports;

14          “(B) provide for an individual plan for each  
15          such patient to assure that the institutional care pro-  
16          vided to him is in his best interests, including, to  
17          that end, assurances that there will be initial and  
18          periodic review of his medical and other needs, that  
19          he will be given appropriate medical treatment  
20          within the institution, and that there will be a  
21          periodic determination of his need for continued  
22          treatment in the institution;

23          “(C) provide for the development of alternate  
24          plans of care, making maximum utilization of avail-  
25          able resources, for recipients 65 years of age or older

1 who would otherwise need care in such institutions,  
 2 including appropriate medical treatment and other  
 3 aid or assistance; for services referred to in section  
 4 1603 (a) (4) (A) (i) and (ii) which are appro-  
 5 priate for such recipients and for such patients; and  
 6 for methods of administration necessary to assure  
 7 that the responsibilities of the State agency under  
 8 the State plan with respect to such recipients and  
 9 such patients will be effectively carried out; and

10 “(D) provide methods of determining the rea-  
 11 sonable cost of institutional care for such patients;  
 12 and

13 “(17) if the State plan includes aid or assistance to  
 14 or in behalf of individuals 65 years of age or older who  
 15 are patients in public institutions for mental diseases,  
 16 show that the State is making satisfactory progress  
 17 toward developing and implementing a comprehensive  
 18 mental health program, including provision for utiliza-  
 19 tion of community mental health centers, nursing homes,

If State elects to make pay-  
 ments to or for aged in public  
 mental institutions, the State  
 plan must show satisfactory  
 progress toward comprehensive  
 mental health program.



1 and other alternatives to care in public institutions for  
2 mental diseases."

3 (4) Section 1603 of such Act is amended by adding at  
4 the end thereof the following new subsection:

5 "(d) Notwithstanding the preceding provisions of this  
6 section, the amount determined under such provisions for any  
7 State for any quarter which is attributable to expenditures  
8 with respect to individuals 65 years of age or older who are  
9 patients in institutions for tuberculosis or mental diseases  
10 shall be paid only to the extent that the State makes a show-  
11 ing satisfactory to the Secretary that total expenditures in  
12 the State from Federal, State, and local sources for mental  
13 health services (including payments to or in behalf of indi-  
14 viduals with mental health problems) under State and local  
15 public health and public welfare programs for such quarter  
16 exceed the average of the total expenditures in the State  
17 from such sources for such services under such programs for  
18 each quarter of the fiscal year ending June 30, 1965. For

Makes Federal share in State expenditures with respect to patients in institutions for tuberculosis or mental diseases contingent upon corresponding increase in total expenditures in State for mental health services.

1 purposes of this subsection, expenditures for such services  
 2 for each quarter in the fiscal year ending June 30, 1965,  
 3 in the case of any State shall be determined on the basis  
 4 of the latest data, satisfactory to the Secretary, available to  
 5 him at the time of the first determination by him under this  
 6 subsection for such State; and expenditures for such services  
 7 for any quarter beginning after December 31, 1965, in the  
 8 case of any State shall be determined on the basis of the  
 9 latest data, satisfactory to the Secretary, available to him at  
 10 the time of the determination under this subsection for such  
 11 State for such quarter; and determinations so made shall be  
 12 conclusive for purposes of this subsection."

13 (e) The amendments made by this section shall apply  
 14 in the case of expenditures made after December 31, 1965,  
 15 under a State plan approved under title I, X, XIV, or XVI  
 16 of the Social Security Act.

17 AMENDMENT TO DEFINITION OF MEDICAL ASSISTANCE FOR  
 18 THE AGED

19 SEC. 222. (a) Section 6(b) of the Social Security Act  
 20 is amended by striking out "who are not recipients of old-age  
 21 assistance" and inserting in lieu thereof "who are not re-  
 22 cipients of old-age assistance (except, for any month, for  
 23 recipients of old-age assistance who are admitted to or dis-

Permits Federal sharing in a State expenditure for medical assistance for the aged for an individual who also received old-age assistance, in the month in which he entered or left a medical institution. (Similar change made under a plan approved for a combined program under Title XVI.)

1 charged from a medical institution during such month)".

2 (b) Section 1605 (b) of such Act is amended by strik-  
3 ing out "who are not recipients of aid to the aged, blind,  
4 or disabled" and inserting in lieu thereof "who are not re-  
5 cipients of aid to the aged, blind, or disabled (except, for  
6 any month, for recipients of aid to the aged, blind, or dis-  
7 abled who are admitted to or discharged from a medical in-  
8 stitution during such month)".

9 (c) The amendments made by this section shall apply  
10 in the case of expenditures under a State plan approved  
11 under title I or XVI of the Social Security Act with respect  
12 to care and services provided under such plan after  
13 June 1965.

#### 14 TITLE III—SOCIAL SECURITY AMENDMENTS

##### 15 SHORT TITLE

16 SEC. 300. This title may be cited as the "Old-Age, Sur-  
17 vivors, and Disability Insurance Amendments of 1965".

##### 18 INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY

##### 19 INSURANCE BENEFITS

20 SEC. 301. (a) Section 215 (a) of the Social Security  
21 Act is amended by striking out the table and inserting in  
22 lieu thereof the following:

New benefit table: Increases bene-  
fit amounts payable under present  
law by 7 percent--\$4 increase in  
primary insurance amounts guaranteed;  
extends benefits to reflect increase  
in contribution and benefit base  
from \$4800 to \$5600; adjusts maxi-  
mum family benefits so that they  
are earnings-related at all levels.

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1938 Act, as modified)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (e)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
13.40	\$13.48	\$40	69	\$87	\$44.00	\$56.00
14.00	14.00	41	70	69	45.00	57.50
14.49	14.48	42	70	70	46.00	59.00
15.00	15.00	43	71	72	47.00	60.50
15.01	15.60	44	73	74	48.00	62.00
15.61	16.20	45	75	76	49.00	63.50
16.21	16.84	46	77	78	50.00	65.00
16.85	17.60	47	79	80	51.00	66.50
17.61	18.40	48	81	81	52.00	68.00
18.41	19.24	49	82	83	53.00	69.50
19.25	20.00	50	84	85	54.00	71.00
20.01	20.64	51	86	87	55.00	72.50
20.65	21.28	52	88	89	56.00	74.00
21.29	21.88	53	90	90	57.00	75.50
21.89	22.28	54	91	92	58.00	77.00
22.29	22.68	55	93	94	59.00	78.50
22.69	23.08	56	95	95	60.00	80.00
23.09	23.44	57	97	97	61.00	81.50
23.45	23.76	58	98	99	62.10	83.00
23.77	24.20	59	100	101	63.20	84.50
24.21	24.60	60	102	102	64.30	86.00
24.61	25.00	61	103	104	65.30	87.50
25.01	25.48	62	105	105	66.40	89.00
25.49	25.92	63	107	107	67.50	90.50
25.93	26.40	64	108	109	68.60	92.00
26.41	26.94	65	110	113	69.60	93.50
26.95	27.46	66	114	118	70.70	95.00
27.47	28.00	67	119	122	71.70	96.50
28.01	28.68	68	123	127	72.80	98.00
28.69	29.25	69	128	132	73.80	99.50
29.26	29.68	70	133	136	74.90	101.00
29.69	30.36	71	137	141	76.00	102.50
30.37	30.92	72	142	146	77.10	104.00
30.93	31.38	73	147	150	78.20	105.50
31.37	32.00	74	151	155	79.30	107.00
32.01	32.60	75	156	160	80.30	108.50
32.61	33.20	76	161	164	81.40	110.00
33.21	33.88	77	165	169	82.40	111.50
33.89	34.60	78	170	174	83.50	113.00
34.61	35.00	79	175	178	84.60	114.50
35.01	35.80	80	179	183	85.60	116.00
35.81	36.40	81	184	188	86.70	117.50
36.41	37.08	82	189	193	87.80	119.00
37.09	37.60	83	194	197	88.90	120.50
37.61	38.20	84	198	202	89.90	122.00
38.21	38.12	85	203	207	91.00	123.50
38.13	39.68	86	208	211	92.10	125.00
39.69	40.33	87	212	216	93.10	126.50
40.34	41.12	88	217	221	94.20	128.00
41.13	41.76	89	222	225	95.30	129.50
41.77	42.44	90	226	230	96.30	131.00
42.45	43.20	91	231	235	97.40	132.50
43.21	43.76	92	236	239	98.50	134.00
43.77	44.44	93	240	244	99.60	135.50
44.45	44.88	94	245	249	100.60	137.00
44.89	45.60	95	250	253	101.70	138.50
		96	254	258	102.80	140.00
		97	259	263	103.80	141.50
		98	264	267	104.90	143.00
		99	268	272	106.00	144.50
		100	273	277	107.00	146.00
		101	278	281	108.10	147.50
		102	282	286	109.20	149.00
		103	287	291	110.30	150.50
		104	292	296	111.30	152.00
		105	296	300	112.40	153.50
		106	301	305	113.50	155.00
		107	306	309	114.50	156.50
		108	310	314	115.60	158.00
		109	315	319	116.70	159.50
		110	320	323	117.70	161.00
		111	324	328	118.80	162.50
		112	329	333	119.80	164.00
		113	334	337	121.00	165.50



"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1958 Act, as modified)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		\$114	\$338	\$342	\$122.00	\$262.40
		115	343	347	123.10	264.40
		116	348	351	124.20	266.00
		117	352	356	125.30	268.00
		118	357	361	126.30	270.00
		119	362	365	127.40	271.60
		120	366	370	128.40	273.60
		121	371	375	129.50	275.60
		122	376	379	130.60	277.20
		123	380	384	131.70	279.20
		124	385	389	132.70	281.20
		125	390	393	133.80	282.80
		126	394	398	134.90	284.80
		127	399	403	135.90	286.80
		404	407	407	136.90	288.40
		406	412	412	137.90	290.40
		413	417	417	138.90	292.40
		418	421	421	139.90	294.00
		422	426	426	140.90	296.00
		427	431	431	141.90	298.00
		432	436	436	142.90	300.00
		437	440	440	143.90	301.60
		441	445	445	144.90	303.60
		446	450	450	145.90	305.60
		451	454	454	146.90	307.20
		455	459	459	147.90	309.20
		460	464	464	148.90	311.20
		465	469	469	149.90	312.00"

1 (b) Section 215 (c) of such Act is amended to read  
2 as follows:

3 "Primary Insurance Amount Under 1958 Act, as Modified

4 "(c) (1) For the purposes of column II of the table  
5 appearing in subsection (a) of this section, an individual's  
6 primary insurance amount shall be computed as provided in,  
7 and subject to the limitations specified in, (A) this section  
8 as in effect prior to the enactment of the Social Security  
9 Amendments of 1965, and (B) the applicable provisions  
10 of the Social Security Amendments of 1960.

Primary insurance amount for column II of table (PIA under 1958 Act) computed as in present law. Applies to entitlements or deaths prior to effective date.

1       “(2) The provisions of this subsection shall be appli-  
2 cable only in the case of an individual who became entitled  
3 to benefits under section 202 (a) or section 223 before the  
4 date of enactment of the Social Security Amendments of  
5 1965 or who died before such date.”

6       (c) Section 203 (a) of such Act is amended by strik-  
7 ing out paragraphs (2) and (3) and inserting in lieu thereof  
8 the following:

9       “(2) when two or more persons were entitled  
10 (without the application of section 202 (j) (1) and sec-  
11 tion 223 (b) ) to monthly benefits under section 202 or  
12 223 for any month which begins after December 1964  
13 and before the enactment of the Social Security Amend-  
14 ments of 1965, on the basis of the wages and self-  
15 employment income of such insured individual, such  
16 total of benefits for any month occurring after December  
17 1964 shall not be reduced to less than the larger of—

18       “(A) the amount determined under this sub-  
19 section without regard to this paragraph, or

20       “(B) (i) with respect to the month in which  
21 such Amendments are enacted or any prior month,  
22 an amount equal to the sum of the amounts derived  
23 by multiplying the benefit amount determined under  
24 this title (including this subsection, but without the  
25 application of section 222 (b), section 202 (q), and

Saving clause: Assures benefit  
increase of 7 percent to families  
already on the rolls.

subsections (b), (c), and (d) of this section), as in effect prior to the enactment of such Amendments, for each such person, for such month, by 107 percent and raising each such increased amount, if it is not a multiple of \$0.10, to the next higher multiple of \$0.10, and

“(ii) with respect to any month after the month in which such Amendments are enacted, an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of such Amendments, for each such person for the month of enactment, by 107 percent and raising each such increased amount, if it is not a multiple of \$0.10, to the next higher multiple of \$0.10;

but in any such case (I) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B) of this paragraph, and (II) if section 202 (k) (2) (A) was applicable in the case of any of such benefits for any such month beginning before the enactment of the Social Security Amendments of 1965, and ceases to apply after such

Effective date for benefit increase:  
January 1965 for monthly benefits;  
deaths in or after month of enactment  
for lump-sum death payments.

Transitional provision to assure  
7-percent increase for disability  
insurance beneficiary who dies or  
becomes entitled to old-age insurance  
benefit in January 1965.

1 month, the provisions of subparagraph (B) shall be  
2 applied, for and after the month in which such section  
3 202 (k) (2) (A) ceases to apply, as though paragraph  
4 (1) had not been applicable to such total of benefits for  
5 such month beginning prior to such enactment."

6 (d) The amendments made by subsections (a), (b),  
7 and (c) of this section shall apply with respect to monthly  
8 benefits under title II of the Social Security Act for months  
9 after December 1964 and with respect to lump-sum death  
10 payments under such title in the case of deaths occurring in  
11 or after the month in which this Act is enacted.

12 (e) If an individual is entitled to a disability insurance  
13 benefit under section 223 of the Social Security Act for De-  
14 cember 1964 on the basis of an application filed after enact-  
15 ment of this Act and is entitled to old-age insurance benefits  
16 under section 202 (a) of such Act for January 1965, then,  
17 for purposes of section 215 (a) (4) of the Social Security  
18 Act (if applicable) the amount in column IV of the table  
19 appearing in such section 215 (a) for such individual shall  
20 be the amount in such column on the line on which in column  
21 II appears his primary insurance amount (as determined  
22 under section 215 (c) of such Act) instead of the amount  
23 in column IV equal to his disability insurance benefit.

24 (f) Effective with respect to monthly benefits under  
25 title II of the Social Security Act for months after 1970



- 1 and with respect to lump-sum death payments under such  
 2 title in the case of deaths occurring after such year, the table  
 3 in section 215 (a) of such Act (as amended by subsection  
 4 (a) of this section) is amended by striking out all figures in  
 5 columns II, III, IV, and V beginning with the line which  
 6 reads

"109	315	319	116.70	254.00"
------	-----	-----	--------	---------

- 7 and down through the line which reads

"465	466	149.90	312.00"
------	-----	--------	---------

- 8 and inserting in lieu thereof the following:

"109	315	319	116.70	255.20
110	320	323	117.70	258.40
111	324	328	118.80	262.40
112	329	333	119.90	266.40
113	334	337	121.00	269.60
114	338	342	122.00	273.60
115	343	347	123.10	277.60
116	348	351	124.20	280.80
117	352	356	125.20	284.80
118	357	361	126.30	288.80
119	362	365	127.40	292.00
120	366	370	128.40	296.00
121	371	375	129.50	298.00
122	376	379	130.60	299.60
123	380	384	131.70	301.60
124	385	389	132.70	303.60
125	390	393	133.80	305.20
126	394	398	134.90	307.20
127	399	403	135.90	309.20
	404	407	136.90	310.80
	408	412	137.90	312.80
	413	417	138.90	314.80
	418	421	139.90	316.40
	422	426	140.90	318.40
	427	431	141.90	320.40
	432	436	142.90	322.40
	437	440	143.90	324.00
	441	445	144.90	326.00
	446	450	145.90	328.00
	451	454	146.90	329.60
	455	459	147.90	331.90
	460	464	148.90	333.00
	465	469	149.90	335.20
	469	473	150.90	337.20
	474	478	151.90	339.20
	479	482	152.90	340.80
	483	487	153.90	342.80
	488	492	154.90	344.80
	493	496	155.90	346.40
	497	501	156.90	348.40
	502	506	157.90	350.40
	507	510	158.90	352.00
	511	515	159.90	354.00
	516	520	160.90	356.00
	521	524	161.90	357.60
	525	529	162.90	359.60
	530	534	163.90	361.60
	535	538	164.90	363.20
	539	543	165.90	365.20
	544	548	166.90	367.20
	549	550	167.90	368.00

Revised benefit table extended to reflect increase in contribution and benefit base from \$5600 to \$6600 effective for months after 1970.

- 1 COMPUTATION AND RECOMPUTATION OF BENEFITS  
 2 SEC. 302. (a) (1) Subparagraph (C) of section 215  
 3 (b) (2) of the Social Security Act is amended to read as  
 4 follows:

Benefit computations would be based on earnings up to year of entitlement; through year of death.

- 5 “(C) For purposes of subparagraph (B), ‘computation  
 6 base years’ include only calendar years in the period after  
 7 1950 and prior to the earlier of the following years—

- 8 “(i) the year in which occurred (whether by  
 9 reason of section 202(j) (1) or otherwise) the first  
 10 month for which the individual was entitled to old-age  
 11 insurance benefits, or

- 12 “(ii) the year succeeding the year in which he died.  
 13 Any calendar year all of which is included in a period of  
 14 disability shall not be included as a computation base year.”

Elapsed years counted to age 65 (62 for women) whether or not fully insured at that time. Under present law, elapsed years counted to first year person is both 65 (62) and fully insured.

- 15 (2) Clauses (A), (B), and (C) of the first sentence of  
 16 section 215(b) (3) of such Act are amended to read as  
 17 follows:

- 18 “(A) in the case of a woman, the year in which  
 19 she died or, if it occurred earlier but after 1960, the  
 20 year in which she attained age 62,

- 21 “(B) in the case of a man who has died, the year  
 22 in which he died or, if it occurred earlier but after 1960,  
 23 the year in which he attained age 65, or

- 24 “(C) in the case of a man who has not died, the

year occurring after 1960 in which he attained (or would attain) age 65."

(3) Paragraphs (4) and (5) of section 215 (b) of such Act are amended to read as follows:

"(4) The provisions of this subsection shall be applicable only in the case of an individual—

New-start provisions for computing average monthly wage applicable after 1965 without regard to present requirement of 6 quarters of coverage after 1950.

"(A) who becomes entitled, after December 1965, to benefits under section 202 (a) or section 223; or

"(B) who dies after December 1965 without being entitled to benefits under section 202 (a) or section 223; or

"(C) whose primary insurance amount is required to be recomputed under subsection (f) (2), as amended by the Social Security Amendments of 1965;

except that it shall not apply to any such individual for purposes of monthly benefits for months before January 1966.

"(5) For the purposes of column III of the table appearing in subsection (a) of this section, the provisions of this subsection, as in effect prior to the enactment of the Social Security Amendments of 1965, shall apply—

Retains present-law provisions that permit use of earnings in year of entitlement in initial benefit computation for people who become entitled to benefits in 1965 after enactment of bill. Required in order to equalize treatment of such people with treatment of people who become entitled to benefits in 1965 but before enactment, and can have 1965 earnings counted.

"(A) in the case of an individual to whom the provisions of this subsection are not made applicable by paragraph (4), but who, on or after the date of the enactment of the Social Security Amendments of 1965

1 and prior to 1966, met the requirements of this para-  
 2 graph or paragraph (4), as in effect prior to such enact-  
 3 ment, and

4 “(B) with respect to monthly benefits for months  
 5 before January 1966, in the case of an individual to  
 6 whom the provisions of this subsection are made appli-  
 7 cable by paragraph (4).”

8 (b) (1) Subparagraph (A) of section 215 (d) (1) of  
 9 such Act is amended by striking out “(2) (C) (i) and (3)  
 10 (A) (i)” and inserting in lieu thereof “(2) (C) and (3)”,  
 11 by striking out “December 31, 1936,” and inserting in lieu  
 12 thereof “1936”, and by striking out “December 31, 1950”  
 13 and inserting in lieu thereof “1950”.

14 (2) Section 215 (d) (3) of such Act is amended by  
 15 striking out “1960” and inserting in lieu thereof “1965”  
 16 and by striking out “but without regard to whether such  
 17 individual has six quarters of coverage after 1950”.

18 (c) Section 215 (e) of such Act is amended by insert-  
 19 ing “and” after the semicolon at the end of paragraph (1),  
 20 by striking out “; and” at the end of paragraph (2) and  
 21 inserting in lieu thereof a period, and by striking out para-  
 22 graph (3).

23 (d) (1) Paragraph (2) of section 215 (f) of such Act  
 24 is amended to read as follows:

25 “(2) With respect to each year—

Conforming change.

Conforming change.

Removes provision for current-year  
 recomputation for fiscal-year self-  
 employed--no longer needed.



1 “(A) which begins after December 31, 1964, and

2 “(B) for any part of which an individual is en-  
3 titled to old-age insurance benefits,

4 the Secretary shall, at such time or times and within such  
5 period as he may by regulations prescribe, recompute the  
6 primary insurance amount of such individual. Such recom-  
7 putation shall be made—

Automatic recomputation to take account of any earnings after 1964.

8 “(C) as provided in subsection (a) (1) and (3)  
9 if such year is either the year in which he became en-  
10 titled to such old-age insurance benefits or the year  
11 preceding such year, or

Old-start (average monthly earnings after 1936) may be used in first recomputation (similar to present law).

12 “(D) as provided in subsection (a) (1) in any  
13 other case;

14 and in all cases such recomputation shall be made as though  
15 the year with respect to which such recomputation is made  
16 is the last year of the period specified in paragraph (2) (C)  
17 of subsection (b). A recomputation under this paragraph  
18 with respect to any year shall be effective—

New-start computation (average monthly earnings after 1950) only, in subsequent recomputations.

19 “(E) in the case of an individual who did not die  
20 in such year, for monthly benefits beginning with bene-  
21 fits for January of the following year; or

Recomputation for living worker effective with benefits for January of the year following the year for which the recomputation was made.

22 “(F) in the case of an individual who died in such  
23 year (including any individual whose increase in his  
24 primary insurance amount is attributable to compensa-  
25 tion which, upon his death, is treated as remuneration

Automatic provisions applicable to recomputations to include railroad remuneration in death cases; recomputation effective with month of death.

Removes recomputation provisions in present law made obsolete by new provision.

Conforms provisions for computing disability insurance benefits to new provisions for computation of old-age insurance benefits.

Effective date for repeal for current-year recomputation for fiscal-year self-employed.

Automatic handling of present-law recomputations for which applications are now required. Applications deemed filed on date of enactment, or earliest date of eligibility thereafter and prior to 1/2/66.

1 for employment under section 205 (o) ), for monthly  
2 benefits beginning with benefits for the month in which  
3 he died."

4 (2) Effective January 2, 1966, paragraphs (3) , (4) ,  
5 and (7) of such section are repealed, and paragraphs (5)  
6 and (6) of such section are redesignated as paragraphs (3)  
7 and (4) , respectively.

8 (e) (1) The first sentence of section 223 (a) (2) of  
9 such Act is amended by inserting before the period at the  
10 end thereof "and was entitled to an old-age insurance benefit  
11 for each month for which (pursuant to subsection (b) ) he  
12 was entitled to a disability insurance benefit".

13 (2) The last sentence of section 223 (a) (2) of such  
14 Act is amended by striking out "first year" and inserting  
15 in lieu thereof "year"; and by striking out the phrase "both  
16 was fully insured and had" both times it appears in such  
17 sentence.

18 (f) (1) The amendments made by subsection (c) shall  
19 apply only to individuals who become entitled to old-age  
20 insurance benefits under section 202 (a) of the Social  
21 Security Act after 1965.

22 (2) Any individual who would, upon filing an applica-  
23 tion prior to January 2, 1966, be entitled to a recomputation  
24 of his benefit amount for purposes of title II of the Social  
25 Security Act shall be deemed to have filed such application

1 on the earliest date on which such application could have  
 2 been filed, or on the day on which this Act is enacted, which-  
 3 ever is the later.

4 (3) In the case of an individual who died after 1960  
 5 and prior to 1966 and who was entitled to old-age insurance  
 6 benefits under section 202 (a) of the Social Security Act at  
 7 the time of his death, the provisions of sections 215 (f) (3)  
 8 (B) and 215 (f) (4) of such Act as in effect before the  
 9 enactment of this Act shall apply.

10 (4) In the case of a man who attains age 65 prior to  
 11 1966, or dies before such year, the provisions of section  
 12 215 (f) (7) of the Social Security Act as in effect before the  
 13 enactment of this Act shall apply.

Saving clause for special age-65  
 automatic recomputation in present  
 law for people with actuarially  
 reduced benefits who attain age 65  
 before 1966.

14 (5) The amendments made by subsection (e) of this  
 15 section shall apply in the case of individuals who become  
 16 entitled to disability insurance benefits under section 223  
 17 of the Social Security Act after December 1965.

Automatic disability insurance  
 benefit recomputations for people  
 who become entitled to disability  
 insurance benefits after 1965.

18 (6) Section 303 (g) (1) of the Social Security Amend-  
 19 ments of 1960 is amended—

20 (A) by striking out “notwithstanding the amend-  
 21 ments made by the preceding subsections of this sec-  
 22 tion,” in the first sentence and inserting in lieu thereof  
 23 “notwithstanding the amendments made by the preced-  
 24 ing subsections of this section, or the amendments made

Conforming change: Provision  
 preserving pre-1960 law for people  
 eligible before 1961 who come on  
 the rolls after 1960.

1 by section 302 of the Social Security Amendments of  
2 1965,"; and

3 (B) by striking out "Social Security Amendments  
4 of 1960," in the second sentence and inserting in lieu  
5 thereof "Social Security Amendments of 1960, or (if  
6 such individual becomes entitled to old-age insurance  
7 benefits after 1965, or dies after 1965 without becoming  
8 so entitled) as amended by the Social Security Amend-  
9 ments of 1965,".

10 DISABILITY INSURANCE BENEFITS

Amends definition of disability,  
for purposes of establishing a  
period of disability and for  
disability benefits, to eliminate  
present requirement that disa-  
bility must be expected to  
result in death or to be of  
long-continued and indefinite  
duration.

11 SEC. 303. (a) (1) Clause (A) of the first sentence of  
12 section 216(i) (1) of the Social Security Act is amended  
13 by striking out "impairment which can be expected to result  
14 in death or to be of long-continued and indefinite duration,"  
15 and inserting in lieu thereof "impairment,".

16 (2) Section 223(c) (2) of such Act is amended by  
17 striking out "which can be expected to result in death or to  
18 be of long-continued and indefinite duration".

Defines "period of disability"  
as a continuous period during  
which individual is under a  
disability if such period is  
not less than 6 full calendar  
months or the individual was  
entitled to a disability  
benefit in such period.

19 (b) (1) Paragraph (2) of section 216(i) of such Act  
20 is amended to read as follows:

21 "(2) (A) The term 'period of disability' means a con-  
22 tinuous period (beginning and ending as hereinafter pro-  
23 vided in this subsection) during which an individual was  
24 under a disability (as defined in paragraph (1)), but only



1 if such period is of not less than 6 full calendar months' dura-  
 2 tion or such individual was entitled to benefits under section  
 3 223 for one or more months in such period.

4 “(B) No period of disability shall begin as to any in-  
 5 dividual unless such individual files an application for a dis-  
 6 ability determination with respect to such period; and no  
 7 such period shall begin as to any individual after such in-  
 8 dividual attains the age of 65.

Provides that a period of disability may not be estab-  
 lished unless individual files  
 application; a period of disa-  
 bility may not begin after age  
 65.

9 “(C) A period of disability shall begin—

10 “(i) on the day the disability began, but only if  
 11 the individual satisfies the requirements of paragraph  
 12 (3) on such day; or

Provides that a period of  
 disability begins on the day  
 the disability began if indi-  
 vidual meets the disability  
 insured status requirements  
 (20 quarters of coverage out  
 of the 40 quarters ending with  
 the quarter in which he becomes  
 disabled) on that day; if not,  
 then on the first day of the  
 first quarter thereafter in  
 which he does meet these  
 requirements.

13 “(ii) if such individual does not satisfy the require-  
 14 ments of paragraph (3) on such day, then on the first  
 15 day of the first quarter thereafter in which he satisfies  
 16 such requirements.

17 “(D) A period of disability shall end with the close of  
 18 the last day of the month preceding the month in which the  
 19 individual attains age 65 or, if earlier, the close of the last  
 20 day of—

Provides that a period of  
 disability ends with the last  
 day of the month preceding the  
 month the individual attains age  
 65, or, if earlier, the month  
 after the month in which disa-  
 bility ceases if he has been  
 under a disability continuously  
 for less than 18 months or the  
 second month after the month in  
 which disability ceases if he  
 has been disabled continuously  
 for at least 18 months.

21 “(i) the month following the month in which  
 22 the disability ceases if he has been under a disability  
 23 for a continuous period of less than 18 months, or

1           “(ii) the second month following the month in  
2           which his disability ceases if he has been under a dis-  
3           ability for a continuous period of at least 18 months.

Provides that an application for a disability determination will not be accepted if filed more than 3 months before the beginning of the period of disability, or, in second disability cases, 6 months before the first month for which the applicant becomes entitled to disability insurance benefits.

4           “(E) No application for a disability determination  
5           which is filed more than 3 months before the first day on  
6           which a period of disability can begin (as determined under  
7           this paragraph), or, in any case in which section 223 (d) (2)  
8           applies, more than 6 months before the first month for which  
9           such applicant becomes entitled to benefits under section  
10          223, shall be accepted as an application for purposes of this  
11          paragraph. Any application for a disability determination  
12          which is filed within such 3 months' period or 6 months'  
13          period shall be deemed to have been filed on such first day  
14          or in such first month, as the case may be.

Provides that an application for a disability determination will not be accepted if filed more than 12 months after the month in which the period of disability ends.

15          “(F) No application for a disability determination  
16          which is filed more than 12 months after the month pre-  
17          scribed by subparagraph (D) as the month in which the  
18          period of disability ends (determined without regard to  
19          subparagraph (B) and this subparagraph) shall be accepted  
20          as an application for purposes of this paragraph.”

21          (2) Section 216(i) (3) of such Act is amended by  
22          striking out “clauses (A) and (B) of paragraph (2)” and  
23          inserting in lieu thereof “clauses (i) and (ii) of paragraph  
24          (2) (C)”.

1 (3) Paragraph (1) of section 223 (a) of such Act is  
2 amended to read as follows:

3 “(1) Every individual who—

4 “(A) is insured for disability insurance benefits (as  
5 determined under subsection (c) (1)),

6 “(B) has not attained the age of 65, and

7 “(C) has filed application for disability insurance  
8 benefits,

9 shall be entitled to a disability insurance benefit for each  
10 month in his disability payment period (as defined in sub-  
11 section (d)).”

12 (4) Section 223 (c) (3) (A) of such Act is amended  
13 by striking out “which continues until such application is  
14 filed”.

15 (c) Section 223 of such Act is amended by adding at  
16 the end thereof the following new subsection:

17 “Disability Payment Period

18 “(d) (1) For purposes of this section, the term ‘dis-  
19 ability payment period’ means, in the case of any applica-  
20 tion, the period beginning with the last month of the  
21 individual’s waiting period and ending with the month pre-  
22 ceding whichever of the following months is the earliest:

23 “(A) the month in which he dies,

24 “(B) the month in which he attains age 65, or

Provides that every individual who is insured for disability insurance benefits, has not attained age 65, and has filed an application shall be entitled to a disability benefit for each month in his disability payment period.

Eliminates present requirement that individual must be under a disability when he files application for disability insurance benefits.

Defines “disability payment period” to mean the period beginning with the last month of the individual’s waiting period and ending with the earliest of the following: the month in which he dies, the month in which he reaches age 65, or either the second month after cessation of disability if he has been disabled less than 18 months, or the third month after cessation of disability if he has been disabled continuously at least 18 months.

1           “(C) either (i) the second month following the  
 2           month in which his disability ceases if he has been under  
 3           a disability for a continuous period of less than 18  
 4           calendar months, or (ii) the third month following the  
 5           month in which his disability ceases if he has been under  
 6           a disability for a continuous period of at least 18 calendar  
 7           months.

8           “(2) If—

9           “(A) an individual had a period of disability (as  
 10          defined in section 216(i)) which lasted at least 18  
 11          calendar months and which ceased within the 60-month  
 12          period preceding the first month of his waiting period,  
 13          and

14          “(B) such individual applies for disability insur-  
 15          ance benefits on the basis of a disability which at the  
 16          time of application can be expected to last a continuous  
 17          period of at least 12 months or to result in death,  
 18          then for purposes of this section, the term ‘disability pay-  
 19          ment period’ includes each month in the waiting period  
 20          with respect to which such application was filed.”

21          (d) (1) Section 222 (c) (5) of such Act is amended by  
 22          striking out “who becomes entitled to benefits under section  
 23          223 for any month as provided in clause (ii) of subsection  
 24          (a) (1) of this section,” and inserting in lieu thereof “to  
 25          whom section 223 (d) (2) is applicable,”.

If an individual has had a period of disability which lasted at least 18 months and which ceased within 60 months before the first month of his waiting period and applies for disability insurance benefits on the basis of a second disability which can be expected to last at least 12 months or to result in death, then his benefits begin with the first month of his waiting period.



1 (2) Section 223 (a) (2) (B) of such Act is amended Technical conforming changes.  
 2 by striking out "clause (ii) of paragraph (1) of this sec-  
 3 tion" and inserting in lieu thereof "subsection (d) (2)".

4 (3) (A) Section 223 (b) of such Act is amended—

5 (i) by striking out "clause (ii) of paragraph (1)  
 6 of subsection (a)" and inserting in lieu thereof "sub-  
 7 section (d) (2)", and

8 (ii) by striking out the last sentence and inserting Provides that an application  
 9 in lieu thereof the following: "An individual who would for disability insurance bene-  
 10 have been entitled to a disability insurance benefit for fits will be retroactive for  
 11 any month had he filed application therefor before the up to 12 months.  
 12 end of such month shall be entitled to such benefit for  
 13 such month if he files such application before the end  
 14 of the 12th month immediately succeeding such month."

15 (B) The second sentence of section 202 (j) (1) of Technical conforming change.  
 16 such Act is amended by inserting "under this title" after  
 17 "Any benefit".

18 (e) (1) The amendments made by subsection (a),  
 19 paragraphs (3) and (4) of subsection (b), and paragraph Changes in definition of disa-  
 20 (3) of subsection (d), and the provisions of subparagraph bility and the requirements  
 21 (B), (E), and (F) of section 216 (i) (2) of the Social relating to the time within  
 22 Security Act (as amended by subsection (b) (1) of this which applications must be filed  
 23 section), shall be effective with respect to applications filed (1) in or  
 24 disability insurance benefits under section 223, and for dis- (2) before such month if appli-  
 cant has not died and case has  
 not yet been finally decided.  
 Benefits resulting from changes  
 will not be payable or increased  
 for months before second month  
 after month of enactment.

1 ability determinations under section 216 (i), of the Social  
2 Security Act filed—

3 (A) in or after the month in which this Act is  
4 enacted, or

5 (B) before the month in which this Act is enacted,  
6 if the applicant has not died before such month and if—

7 (i) notice of the final decision of the Secre-  
8 tary of Health, Education, and Welfare has not been  
9 given to the applicant before such month; or

10 (ii) the notice referred to in subparagraph

11 (i) has been so given before such month but a  
12 civil action with respect to such final decision is  
13 commenced under section 205 (g) of the Social  
14 Security Act (whether before, in, or after such  
15 month) and the decision in such civil action has  
16 not become final before such month;

17 except that no monthly insurance benefits under title II of  
18 the Social Security Act shall be payable or increased by  
19 reason of the amendments made by subsections (a) and  
20 (b) for months before the second month following the month  
21 in which this Act is enacted.

The definition of "disability payment period" is applicable in the case of applications filed by individuals the last month of whose waiting period occurs after the month of enactment, except that the provisions relating to termination of benefits in second disability cases

22 (2) Section 223 (d) (1) of such Act (added by subsec-  
23 tion (c) of this section) shall be applicable in the case of  
24 applications for disability insurance benefits filed by indi-  
25 viduals the last month of whose waiting period (as defined

1 in section 223 (c) (3) of such Act) occurs after the month  
 2 in which this Act is enacted; except that subparagraph (C)  
 3 of such section shall be applicable to individuals entitled  
 4 to disability insurance benefits whose disability (as defined  
 5 in section 223 (c) of the Social Security Act as amended  
 6 by this Act) ceases in or after the second month following  
 7 the month in which this Act is enacted.

shall be applicable where the disability ceases in or after the second month after enactment.

8 (3) Section 223 (d) (2) of such Act (added by subsec-  
 9 tion (c) of this section), and the amendments made by sub-  
 10 section (d), shall be applicable in the case of applications for  
 11 disability insurance benefits under section 223, and for dis-  
 12 ability determinations under section 216 (i), of the Social  
 13 Security Act filed after the month in which this Act is  
 14 enacted.

Provides that the changes in requirements for eligibility for benefits without a waiting period with respect to second and subsequent disabilities are applicable to applications filed after the month of enactment.

15 (4) Section 216 (i) (2) (D) of such Act (as amended  
 16 by subsection (b) (1) of this section) shall apply with re-  
 17 spect to a disability (as defined in section 216 (i) of such  
 18 Act as amended by this Act) which ceases in or after the  
 19 second month following the month in which this Act is  
 20 enacted.

Provides that amendments relating to cessation of disability will apply in cases in which disability ceases or after the second month after enactment.

21 PAYMENT OF DISABILITY INSURANCE BENEFITS AFTER EN-  
 22 TITLEMENT TO OTHER MONTHLY INSURANCE BENEFITS

23 SEC. 304. (a) Section 202 (k) of the Social Security  
 24 Act is amended by adding at the end thereof the following  
 25 new paragraph:

Permits payment of disability benefits after entitlement to other monthly benefits.

Worker entitled to both disability insurance benefits and old-age insurance benefits to be paid disability insurance benefit only.

1     “(4) Any individual who, under this section and sec-  
2     tion 223, is entitled for any month to both an old-age insur-  
3     ance benefit and a disability insurance benefit under this title  
4     shall be entitled to only such disability insurance benefit for  
5     such month.”

6     (b) The heading of section 202 (q) of such Act is  
7     amended to read as follows:

8     “Reduction of Old-Age, Disability, Wife’s, Husband’s, or  
9     Widow’s Insurance Benefit Amounts”

Disability insurance benefit to be reduced if worker previously received reduced old-age insurance benefit.

10    (c) Section 202 (q) of such Act is further amended by  
11    renumbering paragraphs (2), (3), (4), (5), (6), and  
12    (7) as paragraphs (3), (4), (5), (6), (7), and (8),  
13    respectively, by renumbering the cross references in such  
14    section accordingly, and by inserting after paragraph (1)  
15    the following new paragraph:

16    “(2) If an individual is entitled to a disability insur-  
17    ance benefit for a month after a month for which such  
18    individual was entitled to an old-age insurance benefit, such  
19    disability insurance benefit for each month shall be reduced  
20    by the amount such old-age insurance benefit would be  
21    reduced under paragraphs (1) and (4) for such month had  
22    such individual attained age 65 in the first month for which  
23    he most recently became entitled to a disability insurance  
24    benefit.”

25    (d) Subparagraph (B) of paragraph (3) (as redesignig-



1 nated by subsection (c) of this section) of section 202 (q) Retains reduction provisions for  
 2 of such Act is amended by— wife's or husband's benefit where  
 wife or husband is also entitled to  
 old-age insurance benefit but not

3 (1) striking out "benefit," the first time it appears to disability insurance benefit.

4 and inserting in lieu thereof "benefit and is not entitled  
 5 to a disability insurance benefit,";

6 (2) striking out in clause (i) thereof "(1)," and  
 7 inserting in lieu thereof "(1) for such month,"; and

8 (3) striking out in clause (ii) thereof "(1)" and  
 9 inserting in lieu thereof "(1) for such month".

10 (e) Subparagraph (C) of paragraph (3) (as redesign-  
 11 nated by subsection (c) of this section) of section 202 (q)  
 12 of such Act is amended to read as follows:

13 "(C) For any month for which such individual is en- Provides for reduction in disability  
 14 titled to a disability insurance benefit, such individual's wife's, insurance benefit where a person is  
 also entitled to a reduced wife's,  
 husband's, or widow's insurance  
 15 husband's, or widow's insurance benefit shall be reduced by benefit.  
 16 the sum of—

17 "(i) the amount by which such disability insurance  
 18 benefit is reduced under paragraph (2) for such month  
 19 (if such paragraph applied to such benefit), and

20 "(ii) the amount by which such wife's, husband's,  
 21 or widow's insurance benefit would be reduced under  
 22 paragraph (1) for such month if it were equal to the  
 23 excess of such wife's, husband's, or widow's insurance  
 24 benefit (before reduction under this subsection) over

Provides method for reducing a woman's disability insurance benefit which begins at or after age 62 if a reduced widow's insurance benefit was previously paid to her.

1 such disability insurance benefit (before reduction under  
2 this subsection)."

3 (f) Paragraph (3) (as redesignated by subsection (c)  
4 of this section) of section 202 (q) is further amended by  
5 adding after paragraph (E) (added by section 307 (b) (4)  
6 of this Act) the following new paragraphs:

7 "(F) If the first month for which an individual is  
8 entitled to a disability insurance benefit (when such first  
9 month occurs with or after the month in which such indi-  
10 vidual attains the age of 62) is a month for which such  
11 individual is also (or would, but for subsection (e) (1), be)  
12 entitled to a widow's insurance benefit to which such indi-  
13 vidual was first entitled for a month before she attained  
14 retirement age, then such disability insurance benefit for each  
15 month shall be reduced by whichever of the following is  
16 larger:

17 "(i) the amount by which (but for this subpara-  
18 graph) such disability insurance benefit would have been  
19 reduced under paragraph (2), or

20 "(ii) the amount equal to the sum of the amount by  
21 which such widow's insurance benefit was reduced for  
22 the month in which such individual attained retirement  
23 age and the amount by which such disability insurance  
24 benefit would be reduced under paragraph (2) if it  
25 were equal to the excess of such disability insurance  
26 benefit (before reduction under this subsection) over

1 such widow's insurance benefit (before reduction under  
2 this subsection).

3 "(G) If the first month for which an individual is en-  
4 titled to a disability insurance benefit (when such first  
5 month occurs before the month in which such individual  
6 attains the age of 62) is a month for which such individual  
7 is also (or would, but for subsection (e) (1), be) entitled  
8 to a widow's insurance benefit, then such disability insurance  
9 benefit for each month shall be reduced by the amount such  
10 widow's insurance benefit would be reduced under para-  
11 graphs (1) and (4) for such month had such individual  
12 attained age 62 in the first month for which he most recently  
13 became entitled to a disability insurance benefit."

Provides method for reducing a woman's disability insurance benefit which begins before age 62 and after entitlement to a reduced widow's benefit.

14 (g) Paragraph (4) (as redesignated by subsection (c)  
15 of this section) of section 202 (q) of such Act is amended  
16 by striking out in subparagraph (A) thereof "under" and  
17 inserting in lieu thereof: "under paragraph (1) or (3) of".

Conforming change to make provision for adjusting increases in benefits after entitlement to a reduced benefit applicable to a reduced disability insurance benefit.

18 (h) Paragraph (7) (as redesignated by subsection (c)  
19 of this section and as amended by section 307 (b) (7) of  
20 this Act) of section 202 (q) of such Act is amended by  
21 adding after subparagraph (E) the following new sub-  
22 paragraph:

Provides exclusion of months in a reduction period for which disability benefits were paid from the number of months counted in figuring the benefit to be paid beginning at age 65.

23 "(F) in the case of old-age insurance benefits, any  
24 month for which such individual was entitled to a dis-  
25 ability insurance benefit."

Conforming change.

1 (i) Paragraph (8) (as redesignated by subsection (c)  
2 of this section) of section 202 (q) of such Act is amended by  
3 striking out “(1)” and inserting in lieu thereof “(1), (2),”.

Conforming change.

4 (j) Section 202 (r) (2) of such Act is amended by  
5 inserting after “eligible” the following: “(but for section  
6 202 (k) (4) )”.

Provides that where reduced disability benefits are paid and the person dies, becomes entitled to old-age benefits, or attains age 65, the subsequent benefit will be based on the primary insurance amount rather than the amount of the disability benefit previously paid.

7 (k) So much of section 215 (a) (4) of such Act as  
8 follows clause (B) is amended by striking out “such dis-  
9 ability insurance benefit” and inserting in lieu thereof “the  
10 primary insurance amount upon which such disability insur-  
11 ance benefit is based”.

Removes cross-reference to a provision repealed under section 304(n).

12 (l) Section 216 (i) (2) of such Act is amended by  
13 striking out “(subject to section 223 (a) (3) )”.

Conforming change to take account of provision of reduced disability benefits.

14 (m) Section 223 (a) (2) of such Act is amended by  
15 striking out the word “Such” and inserting in lieu thereof  
16 “Except as provided in section 202 (q) , such”.

Permits entitlement to disability insurance benefit after entitlement to any other monthly benefit under title II.

17 (n) Section 223 (a) (3) of such Act is repealed.

18 (o) The amendments made by this section shall apply  
19 with respect to monthly insurance benefits under title II of  
20 the Social Security Act for and after the second month  
21 following the month in which this Act is enacted, but only  
22 on the basis of applications filed in or after the month in  
23 which this Act is enacted.

Effective date--for and after the second month following enactment, based on applications filed in or after month of enactment.



## DISABILITY INSURANCE TRUST FUND

SEC. 305. (a) Section 201(b) (1) of the Social Security Act is amended by inserting "and before January 1, 1966," after "December 31, 1956," and by inserting after "1954," the following: "and  $\frac{3}{4}$  of 1 per centum of the wages (as so defined) paid after December 31, 1965, and so reported,".

Increases the allocation to the DI trust fund from 0.50 percent to  $\frac{3}{4}$  of 1 percent of wages beginning with 1966.

(b) Section 201(b) (2) of such Act is amended by inserting after "December 31, 1956," the following: "and before January 1, 1966, and  $\frac{1}{16}$  of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1965,".

Increases the allocation to the DI trust fund from 0.375 (3/8) percent to  $\frac{9}{16}$  of 1 percent of self-employment income for taxable years beginning after 1965.

PAYMENT OF CHILD'S INSURANCE BENEFITS AFTER ATTAINMENT OF AGE 18 IN CASE OF CHILD ATTENDING SCHOOL

SEC. 306. (a) Section 202(d) (1) (B) of the Social Security Act is amended to read as follows:

"(B) at the time such application was filed was unmarried and (i) either had not attained the age of 18 or was a full-time student and had not attained the age of 22, or (ii) is under a disability (as defined in section 223(c)) which began before he attained the age of 18 and which has lasted or can be expected

Child's benefit would be payable after age 18 to a full-time student who has not attained age 22, and to a child under a disability that began before he attained age 18 and has lasted or is expected to last at least 6 months or to result in death.

1 to last a continuous period of at least 6 calendar months  
2 or to result in death, and”.

3 (b) (1) So much of the first sentence of section 202

4 (d) (1) of such Act as follows subparagraph (C) is  
5 amended to read as follows:

6 “shall be entitled to a child’s insurance benefit for each  
7 month, beginning with the first month after August 1950  
8 in which such child becomes so entitled to such insurance  
9 benefits and ending with the month preceding whichever  
10 of the following first occurs—

11 “(D) the month in which such child dies, marries,  
12 or is adopted (except for adoption by a stepparent,  
13 grandparent, aunt, or uncle subsequent to the death of  
14 such fully or currently insured individual),

15 “(E) in the case of a child who is not under a  
16 disability (as so defined) at the time he attains the  
17 age of 18 and who during no part of the month in  
18 which he attains such age is a full-time student, the  
19 month in which such child attains the age of 18,

20 “(F) in the case of a child who is a full-time stu-  
21 dent during the month in which he attains the age of 18,  
22 the first month (beginning after he attains such age)  
23 during no part of which he is a full-time student or the  
24 month in which he attains the age of 22, whichever

As in present law, child's bene-  
fits would end with the month before  
the month in which the child dies,  
marries, or is adopted (except for  
adoption by certain relatives).

Benefits for a child who is not  
disabled and not a full-time  
student in the month in which he  
attains age 18 would end with the  
month before he attains age 18.

Benefits for a child who is a  
full-time student when he becomes  
age 18 would end with the last  
month in which he is a full-time  
student or the month before the  
month in which he attains age 22,  
whichever occurs earlier.

occurs earlier, but only if in the third month preceding such earlier month he was not under a disability (as so defined) which began before he attained the age of 18,

“(G) in the case of a child who first becomes entitled to benefits under this subsection for the month in which he attains the age of 18 or a subsequent month and who in the month for which he becomes so entitled is not under a disability (as so defined) which began before he attained the age of 18, the first month (after he becomes so entitled) during no part of which he is a full-time student or the month in which he attains the age of 22, whichever occurs earlier,

“(H) in the case of a child who after he attains the age of 18 ceases to be under a disability (as so defined) which began before he attained the age of 18, and who either—

“(i) attains the age of 22 before the close of the third month following the month in which he ceases to be under such disability, or

“(ii) was a full-time student during no part of the third month following the month in which he ceases to be under such disability if he has been under a disability for a continuous period of at least

Benefits for a child who becomes entitled to benefits after age 18 because he is a full-time student will end with the last month in which he is a full-time student or the month before the month in which he attains age 22, whichever occurs earlier.

Benefits for a child who ceases to be disabled and who is not a full-time student or has reached age 22 will end with the third month following the month in which his disability ends if the disability has lasted at least 18 months, or with the second month following the month in which his disability ends if the disability has lasted less than 18 months.

A child who is both a full-time student and disabled, and who ceases to be disabled before age 22, will have his benefits terminated with the last month in which he is a full-time student or with the month before he attains age 22.

- 1 18 months (or the second month following the
- 2 month in which he ceases to be under such disability
- 3 if he has been under a disability for a continuous
- 4 period of less than 18 months),
- 5 the third month (or the second month) following the
- 6 month in which he ceases to be under such disability, or
- 7 “(I) in the case of a child who after he attains
- 8 the age of 18 ceases to be under a disability (as so
- 9 defined) which began before he attained the age of 18,
- 10 but who has not attained the age of 22 before the close
- 11 of the third month following the month in which he
- 12 ceases to be under such disability if he has been under a
- 13 disability for a continuous period of at least 18 months
- 14 (or before the close of the second month following the
- 15 month in which he ceases to be under such disability
- 16 if he has been under a disability for a continuous period
- 17 of less than 18 months) and is a full-time student
- 18 in such third month (or such second month), the earlier
- 19 of (i) the first month (after such third month or such
- 20 second month) during no part of which he is a full-time
- 21 student, or (ii) the month in which he attains the age
- 22 of 22.”
- 23 (2) The second sentence of section 202 (d) (1) of such
- 24 Act is repealed.
- 25 (3) Section 202 (d) of such Act is further amended

Repeals a sentence that is no longer needed because it has been incorporated in the proceeding new provisions.



1 by adding at the end thereof the following new paragraphs:

2 " (7) A child whose entitlement to child's insurance  
3 benefits on the basis of the wages and self-employment in-  
4 come of an insured individual terminated with the month  
5 preceding the month in which such child attained the age  
6 of 18, or with a subsequent month, may again become en-  
7 titled to such benefits (provided no event specified in para-  
8 graph (1) (D) has occurred) beginning with the first  
9 month thereafter in which he is a full-time student and has  
10 not attained the age of 22 if he has filed application for such  
11 reentitlement. Such reentitlement shall end with the month  
12 preceding whichever of the following first occurs: The first  
13 month during no part of which he is a full-time student, the  
14 month in which he attains the age of 22, or the first month  
15 in which an event specified in paragraph (1) (D) occurs.

16 " (8) For the purposes of this subsection—

17 " (A) A 'full-time student' is an individual who  
18 is in full-time attendance as a student at an educational  
19 institution, as determined by the Secretary (in accord-  
20 ance with regulations prescribed by him) in the light  
21 of the standards and practices of the institutions in-  
22 volved, except that no individual shall be considered a  
23 'full-time student' if he is paid by his employer while

A child whose benefits had terminated because he was not attending school could become reentitled to benefits if he became a full-time student. A new application would be required. Benefits would terminate with the last month in which the child is a full-time student, or the month before he attains age 22.

Defines a "full-time student" as a student determined to be in full-time school attendance in accordance with regulations prescribed by the Secretary. A person who is paid by his employer for attending school would not get benefits.

A child would be considered to be in full-time attendance during any vacation period of less than 4 calendar months if he shows to the satisfaction of the Secretary that he intends to continue as a full-time student at an educational institution immediately following the period, or if he does in fact continue.

Defines "educational institution" as all public schools, colleges and universities; all private accredited schools, colleges, and universities; and nonaccredited schools, colleges and universities whose credits are accepted on transfer by 3 accredited institutions.

attending an educational institution at the request, or pursuant to a requirement, of his employer.

“(B) Except to the extent provided in such regulations, an individual shall be deemed to be a full-time student during any period of nonattendance at an educational institution at which he has been in full-time attendance if (i) such period is 4 calendar months or less, and (ii) he shows to the satisfaction of the Secretary that he intends to continue to be in full-time attendance at an educational institution immediately following such period. An individual who does not meet the requirement of clause (ii) with respect to such period of nonattendance shall be deemed to have met such requirement (as of the beginning of such period) if he is in full-time attendance at an educational institution immediately following such period.

“(C) An ‘educational institution’ is (i) a school or college or university operated or directly supported by the United States, or by any State or local government or political subdivision thereof, or (ii) a school or college or university which has been approved by a State or accredited by a State-recognized or nationally-recognized accrediting agency or body, or (iii) a nonaccredited school or college or university whose credits are accepted, on transfer, by not less than three institutions

which are so accredited, for credit on the same basis as if transferred from an institution so accredited."

(c) (1) Section 202 of such Act is amended by inserting immediately after subsection (r) the following new subsection:

"Child Aged 18 or Over Attending School

"(s) (1) For the purposes of subsections (b) (1), (g) (1), (q) (5), and (q) (7) of this section and paragraphs (2), (3), and (4) of section 203 (c), a child who is entitled to child's insurance benefits under subsection (d) for any month, and who has attained the age of 18 but is not in such month under a disability (as defined in section 223 (c) ) which began before he attained such age, shall be deemed not entitled to such benefits for such month, unless he was under such a disability in the third month before such month and had been under such disability for a continuous period of at least 18 months (or in the second month if he had been under such disability for a continuous period of less than 18 months).

"(2) Subsection (f) (4), and so much of subsections (b) (4), (d) (6), (e) (4), (g) (4), and (h) (4) of this section as precedes the semicolon, shall not apply in the case of any child unless such child, at the time of the marriage referred to therein, was under a disability (as defined in section 223 (c) ) which began before such child attained the age of 18

Adds new subsection (s). Prevents the payment of wife's widow's or mother's benefits when the only child in the woman's care is getting benefits solely because he is a full-time student.

If a person getting child's benefits marries a person getting dependents' benefits, his benefit and the benefit of his spouse, will continue only if at the time of his marriage the child was under a disability that began before he attained age 18, or had been under such a disability in the third month before the marriage (if the disability has lasted at least 18 months) or the second month before the marriage (if the disability has lasted less than 18 months).

1 or had been under such a disability in the third month before  
 2 the month in which such marriage occurred and had been  
 3 under such disability for a continuous period of at least 18  
 4 months (or in the second month if he had been under such  
 5 disability for a continuous period of less than 18 months).

Similarly revises the provision in present law permitting a child-hood disability beneficiary to become entitled to a higher spouse's benefit without meeting the dependency requirement for husband's and widower's benefits.

6 “(3) Subsections (c) (2) (B) and (f) (2) (B) of this  
 7 section, so much of subsections (b) (4), (d) (6), (e) (4),  
 8 (g) (4), and (h) (4) of this section as follows the semi-  
 9 colon, the last sentence of subsection (c) of section 203,  
 10 subsection (f) (1) (C) of section 203, and subsections  
 11 (b) (3) (B), (c) (6) (B), (f) (3) (B), and (g) (6) (B)  
 12 of section 216 shall not apply in the case of any child with  
 13 respect to any month referred to therein unless in such month  
 14 or the third month prior thereto such child was under a dis-  
 15 ability (as defined in section 223 (c) ) which began before  
 16 such child attained the age of 18 and had been under such  
 17 disability for a continuous period of at least 18 months (or in  
 18 the second month if he had been under such disability for a  
 19 continuous period of less than 18 months).”

Cross references to new subsection (s) described above.

20 (2) So much of subsection (c) (2) of such section 202  
 21 as precedes subparagraph (A) is amended by inserting  
 22 “(subject to subsection (s) )” after “shall”.

23 (3) So much of subsection (d) (6) of such section 202  
 24 as follows subparagraph (B) is amended by inserting “but



1 subject to subsection (s) ” after “notwithstanding the pro-  
2 visions of paragraph (1) ”.

3 (4) So much of subsection (e) (4) of such section 202  
4 as follows subparagraph (B) is amended by inserting “but  
5 subject to subsection (s) ” after “notwithstanding the pro-  
6 visions of paragraph (1) ”.

7 (5) So much of subsection (f) (2) of such section 202  
8 as precedes subparagraph (A) is amended by inserting  
9 “ (subject to subsection (s) ) ” after “shall”.

10 (6) So much of subsection (f) (4) of such section 202  
11 as follows subparagraph (B) is amended by inserting “but  
12 subject to subsection (s) ” after “notwithstanding the pro-  
13 visions of paragraph (1) ”.

14 (7) So much of the first sentence of subsection (g) (1)  
15 of such section 202 as follows subparagraph (F) is amended  
16 by inserting “ (subject to subsection (s) ) ” after “shall”.

17 (8) So much of subsection (g) (4) of such section 202  
18 as follows subparagraph (B) is amended by inserting “but  
19 subject to subsection (s) ” after “notwithstanding the provi-  
20 sions of paragraph (1) ”.

21 (9) So much of subsection (h) (4) of such section 202  
22 as follows subparagraph (B) is amended by inserting “but  
23 subject to subsection (s) ” after “notwithstanding the pro-  
24 visions of paragraph (1) ”.

1 (10) The next to last sentence of subsection (c)  
 2 of section 203 of such Act is amended by striking out "for  
 3 any month in which" and inserting in lieu thereof "for any  
 4 month in which paragraph (1) of section 202 (s) applies  
 5 or".

6 (11) The last sentence of subsection (c) of such section  
 7 203 is amended by striking out "No" and inserting in lieu  
 8 thereof "Subject to paragraph (3) of such section 202 (s),  
 9 no".

10 (12) The last sentence of subsection (f) (1) of such  
 11 section 203 is amended by inserting "but subject to section  
 12 202 (s)" after "Notwithstanding the preceding provisions  
 13 of this paragraph".

14 (13) Subsections (b), (c), (f), and (g) of section 216  
 15 of such Act are each amended by inserting before the period  
 16 at the end thereof "(subject, however, to section 202 (s) )".

Conforming change: A full-time student would not have benefits withheld for refusal to accept vocational rehabilitation services.

17 (14) Section 222 (b) of such Act is amended by adding  
 18 at the end thereof the following new paragraph:

19 "(4) The provisions of paragraph (1) shall not apply  
 20 to any child entitled to benefits under section 202 (d), if he  
 21 has attained the age of 18 but has not attained the age of 22,  
 22 for any month during which he is a full-time student (as  
 23 defined and determined under section 202 (d) )."

Conforming change: A full-time student would not have benefits withheld while a continuing disability investigation is being made.

24 (15) Section 225 of such Act is amended by adding at  
 25 the end thereof the following new sentence: "The first sen-  
 26 tence of this section shall not apply to any child entitled to

1 benefits under section 202 (d), if he has attained the age of  
 2 18 but has not attained the age of 22, for any month during  
 3 which he is a full-time student (as defined and determined  
 4 under section 202 (d))."

5 (d) The amendments made by this section shall apply  
 6 with respect to monthly insurance benefits under section 202  
 7 of the Social Security Act for months after December 1964;  
 8 except that—

9 (1) in the case of an individual who was not en-  
 10 titled to a child's insurance benefit under subsection  
 11 (d) of such section for the month in which this Act is  
 12 enacted, such amendments shall apply only on the basis  
 13 of an application filed in or after the month in which  
 14 this Act is enacted,

15 (2) section 202 (d) (1) (H) (ii) of such Act (as  
 16 amended by this section) shall apply only for months  
 17 after the month in which this Act is enacted, and

18 (3) no monthly insurance benefit shall be payable  
 19 for any month before the second month following the  
 20 month in which this Act is enacted by reason of section  
 21 202 (d) (1) (B) (ii) of the Social Security Act as  
 22 amended by this section.

23 REDUCED BENEFITS FOR WIDOWS AT AGE 60

24 SEC. 307. (a) (1) Paragraph (1) (B) of section 202  
 25 (e) of the Social Security Act (as amended by section

Effective date:

Changes would be effective for months after December 1964, except that: (1) if a child is not entitled to child's benefits in the month of enactment, an application would be required; (2) the provision relating to the termination of benefits of a child who has attained age 18, ceases to be under a disability, and is not a full-time student will be effective only for months after the month of enactment; and (3) in the case of a disabled child who becomes entitled on the basis of the revised requirements for disability, the effective date is the second month after the month of enactment.

Lowers from 62 to 60 the age of eligibility for widow's insurance benefits.

1 308 (b) of this Act) is amended by striking out "age 62"  
2 and inserting in lieu thereof "age 60".

Reduced widow's benefit payable before age 62.

3 (2) Paragraph (2) of such section (as so amended)  
4 is amended by striking out "Such" and inserting in lieu  
5 thereof "Except as provided in subsection (q), such".

6 (b) (1) Paragraph (1) of section 202 (q) of such  
7 Act is amended to read as follows:

8 "(1) If the first month for which an individual is  
9 entitled to an old-age, wife's, husband's, or widow's insurance  
10 benefit is a month before the month in which such indi-  
11 vidual attains retirement age, the amount of such benefit  
12 for each month shall, subject to the succeeding paragraphs  
13 of this subsection, be reduced by—

Provides reduction factor of five-ninths of one percent for each month before age 62 that widow is entitled to widow's benefit.

14 "(A)  $\frac{5}{9}$  of 1 percent of such amount if such bene-  
15 fit is an old-age or widow's insurance benefit, or  $\frac{25}{36}$   
16 of 1 percent of such amount if such benefit is a wife's or  
17 husband's insurance benefit, multiplied by

18 "(B) (i) the number of months in the reduction  
19 period for such benefit (determined under paragraph  
20 (6)), if such benefit is for a month before the month  
21 in which such individual attains retirement age, or

22 "(ii) the number of months in the adjusted reduc-  
23 tion period for such benefit (determined under para-  
24 graph (7)), if such benefit is for the month in which



such individual attains retirement age or for any month thereafter."

(2) Paragraph (3) (A) (as renumbered by section 304 (c) of this Act) of such section is amended—

(A) by striking out "wife's or husband's insurance benefit" each place it appears and inserting in lieu thereof "wife's, husband's, or widow's insurance benefit"; and

(B) by striking out "age 62" and inserting in lieu thereof "age 62 (in the case of a wife's or husband's insurance benefit) or age 60 (in the case of a widow's insurance benefit)".

(3) Paragraph (3) (D) (as so renumbered) of such section is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, or widow's".

Provides that where widow is entitled to a disability benefit when she becomes entitled to widow's benefit, only the excess of the widow's benefit over the disability benefit is reduced.

(4) Paragraph (3) (as so renumbered) of such section is amended by adding at the end thereof the following new subparagraph:

Conforming change.

"(E) If the first month for which an individual is entitled to an old-age insurance benefit (whether such first month occurs before, with, or after the month in which such individual attains the age of 65) is a month for which such individual is also (or would, but for subsection (e) (1), be) entitled to a widow's insurance benefit to which such indi-

Provides for reduction in old-age insurance benefit of person previously paid a reduced widow's benefit.

1 vidual was first entitled for a month before she attained  
 2 retirement age, then such old-age insurance benefit shall be  
 3 reduced by whichever of the following is the larger:

4       “(i) the amount by which (but for this subpara-  
 5 graph) such old-age insurance benefit would have been  
 6 reduced under paragraph (1), or

7       “(ii) the amount equal to the sum of the amount by  
 8 which such widow’s insurance benefit was reduced for  
 9 the month in which such individual attained retirement  
 10 age and the amount by which such old-age insurance  
 11 benefit would be reduced under paragraph (1) if it were  
 12 equal to the excess of such old-age insurance benefit  
 13 (before reduction under this subsection) over such  
 14 widow’s insurance benefit (before reduction under this  
 15 subsection).”

16       (5) Paragraph (5) (as so renumbered) of such sec-  
 17 tion is amended by adding at the end thereof the following  
 18 new subparagraph:

Widow's benefits will not be reduced  
 below the amount (75 percent of  
 husband's primary insurance amount) of  
 the mother's insurance benefit for  
 months in which widow has entitled  
 child in her care.

19       “(D) No widow’s insurance benefit for a month in which  
 20 she has in her care a child of her deceased husband (or  
 21 deceased former husband) entitled to child’s insurance bene-  
 22 fits shall be reduced under this subsection below the amount  
 23 to which she would have been entitled had she been entitled  
 24 for such month to mother’s insurance benefits on the basis of  
 25 her deceased husband’s (or deceased former husband’s)  
 26 wages and self-employment income.”

1 (6) Paragraph (6) (as so renumbered) of such sec-  
 2 tion is amended—

Conforming changes.

3 (A) by striking out “wife’s, or husband’s” and in-  
 4 serting in lieu thereof “wife’s, husband’s, or widow’s”;

5 (B) by striking out “or husband’s” in subparagraph  
 6 (A) (i) and inserting in lieu thereof “, husband’s, or  
 7 widow’s”; and

8 (C) by striking out “age 65” in subparagraph (B)  
 9 and inserting in lieu thereof “retirement age”.

10 (7) Paragraph (7) (as so renumbered) of such sec- Conforming changes.  
 11 tion is amended—

12 (A) by striking out “wife’s, or husband’s” and in-  
 13 serting in lieu thereof “wife’s, husband’s, or widow’s”;  
 14 and

15 (B) by striking out “and” at the end of subpara-  
 16 graph (B), by striking out the period at the end of  
 17 subparagraph (C) and inserting in lieu thereof a comma,  
 18 and by adding at the end thereof the following new sub-  
 19 paragraphs:

Months in which widow age 60 to 62  
has a child in her care will not be  
counted in the reduction period.

20 “(D) in the case of widow’s insurance benefits,  
 21 any month in which the reduction in the amount of  
 22 such benefit was determined under paragraph (5) (D),

23 “(E) in the case of widow’s insurance benefits, any  
 24 month before the month in which she attained retire-  
 25 ment age for which she was not entitled to such benefit

Months for which widow’s benefit  
was terminated will not be counted  
in the reduction period.

1 because of the occurrence of an event that terminated  
2 her entitlement to such benefits, and”.

3 (8) Section 202 (q) of such Act (as amended by  
4 section 304 (c) of this Act) is further amended by adding  
5 at the end thereof the following new paragraph:

Retirement age defined as age 65 for  
old-age, wife's and husband's benefits  
and as age 62 for widow's benefits.

6 “(9) For purposes of this subsection, the term ‘retire-  
7 ment age’ means age 65 with respect to an old-age, wife’s,  
8 or husband’s insurance benefit and age 62 with respect to  
9 a widow’s insurance benefit.”

Effective date for this section is  
second month following month of enact-  
ment on basis of application filed in  
or after such enactment month.

10 (c) The amendments made by this section shall apply  
11 with respect to monthly insurance benefits under section 202  
12 of the Social Security Act for and after the second month  
13 following the month in which this Act is enacted, but only  
14 on the basis of applications filed in or after the month in  
15 which this Act is enacted.

#### 16 WIFE’S AND WIDOW’S BENEFITS FOR DIVORCED WOMEN

17 SEC. 308. (a) Section 202 (b) of the Social Security  
18 Act is amended to read as follows:

#### 19 “Wife’s Insurance Benefits

Revises present provisions for  
paying wife's insurance benefits  
to pay such benefits to divorced  
wives who meet the following  
conditions:

20 “(b) (1) The wife (as defined in section 216 (b) ) and  
21 every divorced wife (as defined in section 216 (d) ) of an  
22 individual entitled to old-age or disability insurance benefits,  
23 if such wife or such divorced wife—

24 “(A) has filed application for wife’s insurance  
25 benefits,



1       “(B) has attained age 62 or (in the case of a wife)  
2       has in her care (individually or jointly with such indi-  
3       vidual) at the time of filing such application a child en-  
4       titled to a child's insurance benefit on the basis of the  
5       wages and self-employment income of such individual,

6       “(C) in the case of a divorced wife, has not re-  
7       married,

8       “(D) in the case of a divorced wife, was receiving  
9       at least one-half of her support, as determined in accord-  
10      ance with regulations prescribed by the Secretary, from  
11      such individual, or was receiving substantial contribu-  
12      tions from such individual (pursuant to a written agree-  
13      ment) or there was in effect a court order for substantial  
14      contributions to her support from such individual—

15      “(i) if he had a period of disability which did  
16      not end before the month in which he became en-  
17      titled to old-age or disability insurance benefits, at  
18      the beginning of such period or at the time he be-  
19      came entitled to such benefits, or

20      “(ii) if he did not have such a period of dis-  
21      ability, at the time he became entitled to old-age  
22      insurance benefits, and

23      “(E) is not entitled to old-age or disability insur-  
24      ance benefits, or is entitled to old-age or disability  
25      insurance benefits based on a primary insurance amount

(A) the divorced wife has not remarried; and (B) at the time her former husband became disabled or became entitled to benefits: (1) she was receiving one-half of her support from her former husband, or (2) she was receiving regular and substantial contributions from him (pursuant to a written agreement), or (3) there was in effect a court order for substantial support from him.

1 which is less than one-half of the primary insurance  
 2 amount of such individual,  
 3 shall (subject to subsection (s)) be entitled to a wife's  
 4 insurance benefit for each month, beginning with the first  
 5 month in which she becomes so entitled to such insurance  
 6 benefits and ending with the month preceding the first month  
 7 in which any of the following occurs—

8 “(F) she dies,

9 “(G) such individual dies,

10 “(H) in the case of a wife, they are divorced and  
 11 either (i) she has not attained age 62, or (ii) she has  
 12 attained age 62 but has not been married to such in-  
 13 dividual for a period of 20 years immediately before the  
 14 date the divorce became effective,

15 “(I) in the case of a divorced wife, she marries a  
 16 person other than such individual,

17 “(J) in the case of a wife who has not attained age  
 18 62, no child of such individual is entitled to a child's  
 19 insurance benefit,

20 “(K) she becomes entitled to an old-age or dis-  
 21 ability insurance benefit based on a primary insurance  
 22 amount which is equal to or exceeds one-half of the pri-  
 23 mary insurance amount of such individual, or

24 “(L) such individual is not entitled to disability  
 25 insurance benefits and is not entitled to old-age insurance  
 26 benefits.

A wife's benefits will not terminate if she has attained age 62 and is divorced after having been married for 20 years (benefits for a wife under age 62 with a child in her care would terminate if she was divorced, regardless of how long she had been married, since benefits are not provided for a young divorced wife with a child in her care until after the former husband's death). A divorced wife's benefit will terminate if she marries someone other than the worker on whose earnings her benefit is based.

1       “(2) Except as provided in subsection (q), such wife’s  
2 insurance benefit for each month shall be equal to one-half  
3 of the primary insurance amount of her husband (or, in the  
4 case of a divorced wife, her former husband) for such month.

5       “(3) In the case of any divorced wife of an individual—

6           “(A) who marries another individual, and

7           “(B) whose marriage to the individual referred to  
8 in subparagraph (A) is terminated by divorce which  
9 occurs within 20 years after such marriage,

10 the marriage to the individual referred to in subparagraph  
11 (A) shall, for the purposes of paragraph (1), be deemed not  
12 to have occurred. No benefits shall be payable under this sub-  
13 section by reason of the preceding sentence for any month  
14 before whichever of the following is the latest: (i) the  
15 month after the month in which the divorce referred to in  
16 subparagraph (B) of the preceding sentence occurs, (ii) the  
17 twelfth month before the month in which such divorced wife  
18 files application for purposes of this paragraph, or (iii) the  
19 second month after the month in which this paragraph is  
20 enacted.

21       “(4) In the case of any divorced wife who marries—

22           “(A) an individual entitled to benefits under sub-  
23 section (f) or (h) of this section, or

24           “(B) an individual who has attained the age of  
25 18 and is entitled to benefits under subsection (d),  
26 such divorced wife’s entitlement to benefits under this sub-

For purposes of paying benefits to a divorced wife, a remarriage which ended in a divorce after less than 20 years would be deemed not to have occurred.

If a divorced wife marries a person entitled to benefits as a widower, parent, or disabled child, her benefits will not terminate.

1 section shall, notwithstanding the provisions of paragraph  
 2 (1) (but subject to subsection (s)), not be terminated by  
 3 reason of such marriage; except that, in the case of such a  
 4 marriage to an individual entitled to benefits under sub-  
 5 section (d), the preceding provisions of this paragraph shall  
 6 not apply with respect to benefits for months after the last  
 7 month for which such individual is entitled to such benefits  
 8 under subsection (d) unless he ceases to be so entitled by  
 9 reason of his death."

Revises present provisions  
 for paying widow's insurance  
 benefits to pay such benefits  
 to surviving divorced wives  
 who have not remarried and  
 who meet the following  
 conditions:

10 (b) (1) Paragraphs (1) and (2) of section 202 (e) of  
 11 such Act are amended to read as follows:

12 "(1) The widow (as defined in section 216(c)) and  
 13 every surviving divorced wife (as defined in section 216  
 14 (d)) of an individual who died a fully insured individual, if  
 15 such widow or such surviving divorced wife—

16 "(A) has not remarried,

17 "(B) has attained age 62,

18 "(C) (i) has filed application for widow's insur-  
 19 ance benefits, or was entitled, after attainment of age  
 20 62, to wife's insurance benefits, on the basis of the  
 21 wages and self-employment income of such individual,  
 22 for the month preceding the month in which he died, or

23 "(ii) was entitled, on the basis of such wages and  
 24 self-employment income, to mother's insurance benefits



for the month preceding the month in which she attained  
age 62,

“(D) in the case of a surviving divorced wife, was  
receiving at least one-half of her support, as determined  
in accordance with regulations prescribed by the Secretary,  
from such individual, or was receiving substantial  
contributions from such individual (pursuant to a written  
agreement) or there was in effect a court order for  
substantial contributions to her support from such individual—

At the time her former husband died, became disabled, or became entitled to benefits, (1) the surviving divorced wife was receiving one-half of her support from her former husband, or (2) she was receiving regular and substantial contributions from him (pursuant to a written agreement), or (3) there was in effect a court order for substantial support from him.

“(i) at the time of his death (or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of his death), or

“(ii) at the time he became entitled to old-age insurance benefits or disability insurance benefits (or, if such individual had a period of disability which did not end before the month in which he became entitled to such benefits, at the time such period began or at the time he became entitled to such benefits), and

“(E) is not entitled to old-age insurance benefits or is entitled to old-age insurance benefits each of which

1 is less than  $82\frac{1}{2}$  percent of the primary insurance amount  
 2 of such deceased individual,  
 3 shall be entitled to a widow's insurance benefit for each  
 4 month, beginning with the first month in which she be-  
 5 comes so entitled to such insurance benefits and ending with  
 6 the month preceding the first month in which any of the  
 7 following occurs: she remarries, dies, or becomes entitled  
 8 to an old-age insurance benefit equal to or exceeding  $82\frac{1}{2}$   
 9 percent of the primary insurance amount of such deceased  
 10 individual.

11 "(2) Such widow's insurance benefit for each month  
 12 shall be equal to  $82\frac{1}{2}$  percent of the primary insurance  
 13 amount of such deceased individual."

Makes conforming changes so  
 that a surviving divorced wife  
 will have the same treatment  
 that a widow has under present  
 law if she marries a bene-  
 ficiary or a person who dies  
 within one year and is not  
 insured.

14 (2) Paragraphs (3) and (4) of section 202 (e) of  
 15 such Act are amended by striking out "widow" each place  
 16 it appears and inserting in lieu thereof "widow or surviving  
 17 divorced wife".

18 (3) Paragraph (4) of section 202 (e) of such Act is  
 19 amended by striking out "widow's" and inserting in lieu  
 20 thereof "widow's or surviving divorced wife's".

For purposes of paying benefits  
 to widows and surviving  
 divorced wives, a remarriage  
 which ends in divorce after  
 less than 20 years will be  
 deemed not to have occurred.

21 (4) Section 202 (e) of such Act is further amended by  
 22 adding at the end thereof the following new paragraph:

23 "(5) In the case of any widow or surviving divorced  
 24 wife of an individual—

25 "(A) who marries another individual, and

1           “(B) whose marriage to the individual referred to  
 2           in subparagraph (A) is terminated by divorce which  
 3           occurs within 20 years after such marriage,  
 4           the marriage to the individual referred to in subparagraph (A)  
 5           shall, for the purposes of paragraph (1), be deemed not to  
 6           have occurred. No benefits shall be payable under this sub-  
 7           section by reason of the preceding sentence for any month  
 8           before whichever of the following is the latest: (i) the  
 9           month after the month in which the divorce referred to in  
 10          subparagraph (B) of the preceding sentence occurs, (ii)  
 11          the twelfth month before the month in which such widow or  
 12          surviving divorced wife files application for purposes of this  
 13          paragraph, or (iii) the second month after the month in  
 14          which this paragraph is enacted.”

15          (c) Section 216 (d) of such Act is amended to read as  
 16          follows:

17                         “Divorced Wives; Divorce

18          “(d) (1) The term ‘divorced wife’ means a woman  
 19          divorced from an individual, but only if she had been married  
 20          to such individual for a period of 20 years immediately before  
 21          the date the divorce became effective.

22          “(2) The term ‘surviving divorced wife’ means a  
 23          woman divorced from an individual who has died, but only  
 24          if she had been married to the individual for a period of 20

Defines "divorced wife" and  
 "surviving divorced wife" as a  
 woman divorced from an individual  
 to whom she was married for a  
 period of 20 years immediately  
 before the divorce.

1 years immediately before the date the divorce became  
2 effective.

Substitutes the term  
"surviving divorced mother"  
for the term "former wife  
divorced" in the definition  
of the latter term in  
present law.

3       “(3) The term ‘surviving divorced mother’ means a  
4 woman divorced from an individual who has died, but only if  
5 (A) she is the mother of his son or daughter, (B) she legally  
6 adopted his son or daughter while she was married to him and  
7 while such son or daughter was under the age of 18, (C) he  
8 legally adopted her son or daughter while she was married to  
9 him and while such son or daughter was under the age of 18,  
10 or (D) she was married to him at the time both of them  
11 legally adopted a child under the age of 18.

Defines "divorce" and  
"divorced" as referring to a  
divorce a vinculo matrimonii.  
Present law uses the full term  
wherever divorce is mentioned.

12       “(4) The terms ‘divorce’ and ‘divorced’ refer to a  
13 divorce a vinculo matrimonii.”

14       (d) (1) Section 202 (c) (1) of such Act is amended  
15 by striking out “divorced a vinculo matrimonii,” and insert-  
16 ing in lieu thereof “divorced,”.

Conforming change; a widower's,  
parent's, or disabled child's  
benefits will not terminate if he  
marries a divorced wife getting  
wife's benefits.

17       (2) (A) Subsections (d) (6) (A), (f) (4) (A), and  
18 (h) (4) (A) of section 202 of such Act are each amended  
19 by inserting “(b),” before “(e),”.

If a divorced wife marries a  
person getting old-age or  
disability insurance benefits,  
she will immediately become  
eligible for wife's benefits  
based on her new husband's  
wages and self-employment  
income.

20       (B) Subsections (b) and (c) of section 216 of such  
21 Act are each amended by striking out “(e) or” and inserting  
22 in lieu thereof “(b), (e), or”.

The support requirement that  
must be met by a surviving  
divorced mother (former

23       (3) Subparagraph (F) of section 202 (g) (1) of such  
24 Act is amended to read as follows:

25       “(F) in the case of a surviving divorced mother—



1           “(i) at the time of such individual’s death (or, wife divorced under present law)  
2 if such individual had a period of disability which are conformed to the support  
3 did not end before the month in which he died, at requirements for a "divorced wife"  
4 the time such period began or at the time of such and a "surviving divorced wife."  
5 death) —

6           “(I) she was receiving at least one-half of  
7 her support, as determined in accordance with  
8 regulations prescribed by the Secretary, from  
9 such individual, or

10           “(II) she was receiving substantial con-  
11 tributions from such individual (pursuant to a  
12 written agreement), or

13           “(III) there was a court order for sub-  
14 stantial contributions to her support from such  
15 individual,

16           “(ii) the child referred to in subparagraph (E)  
17 is her son, daughter, or legally adopted child, and

18           “(iii) the benefits referred to in such subpara-  
19 graph are payable on the basis of such individual’s  
20 wages and self-employment income.”.

21           (4) Section 202 (g) of such Act is amended by adding  
22 the following new paragraph:

23           “(5) In the case of any widow or surviving divorced  
24 mother—

25           “(A) who marries another individual, and

For purposes of paying mother's  
benefits, a marriage which ends  
in divorce after less than 20  
years is deemed not to have  
occurred.

1           “(B) whose marriage to the individual referred to  
 2           in subparagraph (A) is terminated by divorce which  
 3           occurs within 20 years after such marriage,  
 4           the marriage to the individual referred to in subparagraph  
 5           (A) shall, for the purposes of paragraph (1), be deemed not  
 6           to have occurred. No benefits shall be payable under this  
 7           subsection by reason of the preceding sentence for any month  
 8           prior to whichever of the following is the latest: (i) the  
 9           month after the month in which the divorce referred to in  
 10          subparagraph (B) of the preceding sentence occurs, (ii) the  
 11          twelfth month before the month in which such widow or sur-  
 12          viving divorced mother files application for purposes of this  
 13          paragraph, or (iii) the second month after the month in  
 14          which this paragraph is enacted.”

Conforming change in  
 terminology.

15          (5) Section 202(g) of such Act is further amended  
 16          by striking out “former wife divorced” each place it appears  
 17          and inserting in lieu thereof “surviving divorced mother”.

18          (6) Section 203(a) of such Act (as amended by sec-  
 19          tion 301(c) of this Act) is amended by striking out the  
 20          period at the end of the first sentence and inserting in lieu  
 21          thereof “, or” and by adding the following new paragraph:

22               “(3) when any of such individuals is entitled to  
 23               monthly benefits as a divorced wife under section  
 24               202(b) or as a surviving divorced wife under section  
 25               202(e) for any month, the benefit to which she is en-

The monthly benefits paid to  
 a divorced wife or a surviving  
 divorced wife will not be  
 reduced because of the limit  
 on total family benefits and  
 will not be counted in  
 figuring the total benefits  
 payable to others on the  
 basis of the wages or self-  
 employment income of the  
 same individual.

1 titled on the basis of the wages and self-employment in-  
 2 come of such insured individual for such month shall be  
 3 determined without regard to this subsection, and the  
 4 benefits of all other individuals who are entitled for such  
 5 month to monthly benefits under section 202 on the  
 6 wages and self-employment income of such insured in-  
 7 dividual shall be determined as if no such divorced wife  
 8 or surviving divorced wife were entitled to benefits for  
 9 such month."

10 (7) Section 203 (c) (4) of such Act is amended by  
 11 striking out "former wife divorced" and inserting in lieu  
 12 thereof "surviving divorced mother".

13 (8) Section 203 (d) (1) of such Act is amended by  
 14 striking out "wife," and inserting in lieu thereof "wife,  
 15 divorced wife,".

16 (9) The second sentence of section 205 (b) of such  
 17 Act is amended by striking out "wife, widow, former wife  
 18 divorced," and inserting in lieu thereof "wife, divorced wife,  
 19 widow, surviving divorced wife, surviving divorced mother,".

20 (10) Section 205 (c) (1) (C) of such Act is amended  
 21 by striking out "former wife divorced," and inserting in lieu  
 22 thereof "surviving divorced wife, surviving divorced  
 23 mother,".

24 (11) Section 222 (b) (3) of such Act is amended by  
 25 inserting "divorced wife," after "wife,".

Conforming changes (subsections  
 (7) - (11), adding divorced wife's  
 and surviving divorced wives to  
 the relatives to whom the  
 following provisions apply:  
 (7) Deductions for failure to have  
 child in care; (8) the foreign  
 work test; (9) the right to a  
 hearing; (10) survivors who can  
 be given wage record information;  
 (11) deductions on account of the  
 worker's refusal to accept  
 vocational rehabilitation.

Effective date: wife's and widow's insurance benefits for a divorced wife and a surviving divorced wife payable beginning with second month after month of enactment

(e) The amendments made by this section shall be applicable with respect to monthly insurance benefits under title II of the Social Security Act beginning with the second month following the month in which this Act is enacted; but, in the case of an individual who was not entitled to a monthly insurance benefit under section 202 of such Act for the first month following the month in which this Act is enacted, only on the basis of an application filed in or after the month in which this Act is enacted.

#### TRANSITIONAL INSURED STATUS

SEC. 309. (a) Title II of the Social Security Act is further amended by adding at the end thereof (after the new section 226 added by section 101 of this Act) the following new section:

#### "TRANSITIONAL INSURED STATUS

"SEC. 227. (a) In the case of any individual who attains the age of 72 before 1969 but who does not meet the requirements of section 214 (a), the 6 quarters of coverage referred to in so much of paragraph (1) of section 214 (a) as follows clause (C) shall, instead, be 3 quarters of coverage for purposes of determining entitlement of such individual to benefits under section 202 (a), and of his wife to benefits under section 202 (b), but, in the case of such wife, only if she attains the age of 72 before 1969 and only with respect to wife's insurance benefits under section 202 (b) for and

Transitional insured status requirement at age 72--minimum of 3 quarters of coverage instead of 6 quarters of coverage for old-age insurance benefits.

Wife's benefits at age 72 for wives reaching 72 before 1969.



1 after the month in which she attains such age. For each  
 2 month before the month in which any such individual meets  
 3 the requirements of section 214 (a), the amount of his old-  
 4 age insurance benefit shall, notwithstanding the provisions of  
 5 section 202 (a), be \$35 and the amount of the wife's insur-  
 6 ance benefit of his wife shall, notwithstanding the provisions  
 7 of section 202 (b), be \$17.50.

Benefit amounts: Old-age  
 insurance benefit of \$35;  
 wife's benefit of \$17.50.

8 “(b) In the case of any individual who has died, who  
 9 does not meet the requirements of section 214 (a), and whose  
 10 widow attains age 72 before 1969, the 6 quarters of cover-  
 11 age referred to in paragraph (3) of section 214 (a) and in  
 12 so much of paragraph (1) thereof as follows clause (C)  
 13 shall, for purposes of determining her entitlement to widow's  
 14 insurance benefits under section 202 (e), instead be—

Provides widow's benefit for  
 widows reaching 72 before 1969  
 if deceased husband meets  
 transitional insured status  
 requirements based on year  
 widow reaches age 72.

15 “(1) 3 quarters of coverage if such widow attains  
 16 the age of 72 in or before 1966,

17 “(2) 4 quarters of coverage if such widow attains  
 18 the age of 72 in 1967, or

Minimum work requirements based  
 on year widow reaches age 72.

19 “(3) 5 quarters of coverage if such widow attains  
 20 the age of 72 in 1968.

21 The amount of her widow's insurance benefit for each month  
 22 shall, notwithstanding the provisions of section 202 (e) (and  
 23 section 202 (m)), be \$35.

Amount of widow's  
 benefit: \$35.

24 “(c) In the case of any individual who becomes, or  
 25 upon filing application therefor would become, entitled to

Widow's benefit for widows reaching age 72 before 1969 if husband became eligible for benefits under transitional insured status provisions.

Effective date: Second month after month of enactment.

Raises the ceiling from \$1700 to \$2400 on the span of earnings above \$1200 for which there is a \$1 reduction in benefits for each \$2 of earnings.

Effective for taxable years ending after December 31, 1965.

Extends social security coverage to self-employed physicians by removing the present exclusion.

1 benefits under section 202 (a) by reason of the application  
2 of subsection (a) of this section, who dies, and whose widow  
3 attains the age of 72 before 1969, such deceased individual  
4 shall be deemed to meet the requirements of subsection (b)  
5 of this section for purposes of determining entitlement of such  
6 widow to widow's insurance benefits under section 202 (e)."

7 (b) The amendment made by subsection (a) shall  
8 apply in the case of monthly benefits under title II of the  
9 Social Security Act for and after the second month follow-  
10 ing the month in which this Act is enacted on the basis  
11 of applications filed in or after the month in which this Act  
12 is enacted.

13 INCREASE IN AMOUNT AN INDIVIDUAL IS PERMITTED TO  
14 EARN WITHOUT SUFFERING FULL DEDUCTIONS FROM  
15 BENEFITS

16 SEC. 310. (a) Paragraph (3) of section 203 (f) of the  
17 Social Security Act is amended by striking out "\$500"  
18 wherever it appears therein and inserting in lieu thereof  
19 "\$1,200".

20 (b) The amendments made by subsection (a) shall  
21 apply with respect to taxable years ending after December  
22 31, 1965.

23 COVERAGE FOR DOCTORS OF MEDICINE

24 SEC. 311. (a) (1) Section 211 (c) (5) of the Social  
25 Security Act is amended to read as follows:

1       “(5) The performance of service by an individual  
2       in the exercise of his profession as a Christian Science  
3       practitioner.”

4       (2) Section 211 (c) of such Act is further amended by  
5       striking out the last two sentences and inserting in lieu  
6       thereof the following: “The provisions of paragraph (4) or  
7       (5) shall not apply to service (other than service performed  
8       by a member of a religious order who has taken a vow of  
9       poverty as a member of such order) performed by an in-  
10      dividual during the period for which a certificate filed by  
11      him under section 1402 (e) of the Internal Revenue Code  
12      of 1954 is in effect.”

Technical amendment which  
simplifies provision  
relating to Christian  
Science practitioners  
electing coverage. Change  
made possible by coverage  
of self-employed physicians.

13      (3) Section 210(a) (6) (C) (iv) of such Act is  
14      amended by inserting before the semicolon at the end thereof  
15      the following: “, other than as a medical or dental intern  
16      or a medical or dental resident in training”.

Extends social security  
coverage to interns and  
residents-in-training in  
the employ of the Federal  
Government.

17      (4) Section 210(a) (13) of such Act is amended by  
18      striking out all that follows the first semicolon.

Extends coverage to  
interns in employ of a  
hospital.

19      (b) (1) Section 1402 (c) (5) of the Internal Revenue  
20      Code of 1954 (relating to definition of trade or business) is  
21      amended to read as follows:

Conforming amendment to IRC--  
Makes self-employed physicians  
subject to social security  
taxing provisions by removing  
exclusion of doctors of  
medicine from definition of  
trade or business.

22      “(5) the performance of service by an individual  
23      in the exercise of his profession as a Christian Science  
24      practitioner.”

25      (2) Section 1402 (c) of such Code is further amended

Technical amendments which

simplify provisions relating to Christian Science practitioners electing coverage. Changes made possible by coverage of self-employed physicians.

Removes language from present law made unnecessary by coverage of physicians.

Removes language from present law made unnecessary by coverage of physicians.

Conforming amendment to IRC--  
Makes interns in Federal  
employment subject to FICA.

1 by striking out the last two sentences and inserting in lieu  
2 thereof the following: "The provisions of paragraph (4) or  
3 (5) shall not apply to service (other than service performed  
4 by a member of a religious order who has taken a vow of  
5 poverty as a member of such order) performed by an in-  
6 dividual during the period for which a certificate filed by  
7 him under subsection (e) is in effect."

8 (3) (A) Section 1402 (e) (1) of such Code (relating  
9 to filing of waiver certificate by ministers, members of reli-  
10 gious orders, and Christian Science practitioners) is amended  
11 by striking out "extended to service" and all that follows and  
12 inserting in lieu thereof "extended to service described in  
13 subsection (c) (4) or (c) (5) performed by him."

14 (B) Clause (A) of section 1402 (e) (2) of such Code  
15 (relating to time for filing waiver certificate) is amended  
16 to read as follows: "(A) the due date of the return (includ-  
17 ing any extension thereof) for his second taxable year ending  
18 after 1954 for which he has net earnings from self-employ-  
19 ment (computed without regard to subsections (c) (4) and  
20 (c) (5)) of \$400 or more, any part of which was derived  
21 from the performance of service described in subsection (c)  
22 (4) or (c) (5); or".

23 (4) Section 3121 (b) (6) (C) (iv) of such Code (re-  
24 lating to definition of employment) is amended by inserting  
25 before the semicolon at the end thereof the following: "



1 other than as a medical or dental intern or a medical or  
2 dental resident in training”.

3 (5) Section 3121 (b) (13) of such Code is amended  
4 by striking out all that follows the first semicolon.

Makes interns in employ of hospitals subject to FICA on the same basis as other employees of the same employer.

5 (c) The amendments made by paragraphs (1) and  
6 (2) of subsection (a), and by paragraphs (1), (2), and  
7 (3) of subsection (b), shall apply only with respect to  
8 taxable years ending after December 31, 1965. The amend-  
9 ments made by paragraphs (3) and (4) of subsection (a),  
10 and by paragraphs (4) and (5) of subsection (b), shall  
11 apply only with respect to services performed after 1965.

Effective dates: self-employed physicians covered for taxable years ending after December 31, 1965; interns and residents-in-training covered for services after 1965.

#### 12 GROSS INCOME OF FARMERS

13 SEC. 312. (a) The second sentence following paragraph  
14 (8) in section 211 (a) of the Social Security Act is amended  
15 by striking out “\$1,800” each place it appears and inserting  
16 in lieu thereof “\$2,400”, and by striking out “\$1,200” each  
17 place it appears and inserting in lieu thereof “\$1,600”.

Increases from \$1800 to \$2400 the maximum gross farm income which may be used in computing net earnings from farm self-employment under farm income option. Increases from \$1200 to \$1600 the level of net earnings which may be reported under the farm income option.

18 (b) The second sentence following paragraph (9) in  
19 section 1402 (a) of the Internal Revenue Code of 1954 (re-  
20 lating to net earnings from self-employment) is amended  
21 by striking out “\$1,800” each place it appears and inserting  
22 in lieu thereof “\$2,400”, and by striking out “\$1,200” each  
23 place it appears and inserting in lieu thereof “\$1,600”.

Conforming amendment to IRC--makes same amendments in taxing provisions as are made in above coverage provisions.

24 (c) The amendments made by this section shall apply

Effective date: changes are effective with taxable years beginning after December 31, 1965.

1 only with respect to taxable years beginning after December  
2 31, 1965.

### 3 COVERAGE OF TIPS

4 SEC. 313. (a) (1) Section 209 of the Social Security  
5 Act is amended by striking out "or" at the end of subsec-  
6 tion (j), by striking out the period at the end of subsection  
7 (k) and inserting in lieu thereof "; or", and by adding im-  
8 mediately after subsection (k) the following new subsection:

9 " (1) (1) Tips paid in any medium other than cash;  
10 " (2) Cash tips received by an employee in any calen-  
11 dar month in the course of his employment by an employer  
12 unless the amount of such cash tips is \$20 or more."

13 (2) Section 209 of such Act is further amended by  
14 adding at the end thereof the following new paragraph:

15 "For purposes of this title, tips received by an employee  
16 in the course of his employment shall be considered remu-  
17 nation for employment. Such tips shall be deemed to be  
18 paid to the employee by the employer and shall be deemed  
19 to be so paid at the time a written statement including such  
20 tips is furnished to the employer pursuant to section 6053 (a)  
21 of the Internal Revenue Code of 1954 or (if no statement  
22 including such tips is so furnished) at the time received."

23 (b) Section 451 of the Internal Revenue Code of 1954  
24 (relating to general rule for taxable year of inclusion) is  
25 amended by adding at the end thereof the following new sub-  
26 section:

Tips are excluded from "wages"  
for social security benefit purposes  
only if paid in a medium other than  
cash or if the employee's cash tips  
received in a month in the course  
of his employment by an employer  
total less than \$20.

Except as excluded in preceding  
section, tips are "wages" for  
social security benefit purposes.  
Covered tips will be deemed paid  
by the employer to the employee  
at the time a written statement  
including them is furnished by the  
employee to the employer, providing  
the statement is furnished on or  
before the 10th day following the  
month in which the tips were re-  
ceived; otherwise, tips will be  
deemed paid at the time they were  
received.

1       “(c) SPECIAL RULE FOR EMPLOYEE TIPS.—For pur-  
 2 poses of subsection (a), tips included in a written statement  
 3 furnished an employer by an employee pursuant to section  
 4 6053 (a) shall be deemed to be received at the time the  
 5 written statement including such tips is furnished to the  
 6 employer.”

7       (c) (1) Section 3102 of such Code (relating to deduc-  
 8 tion of tax from wages) is amended by adding at the end  
 9 thereof the following new subsection:

10      “(c) SPECIAL RULE FOR TIPS.—

11          “(1) In the case of tips which constitute wages,  
 12 subsection (a) shall be applicable only to such tips as  
 13 are included in a written statement furnished to the em-  
 14 ployer pursuant to section 6053 (a), and only to the  
 15 extent that collection can be made by the employer, at  
 16 or after the time such statement is so furnished and be-  
 17 fore the close of the 10th day following the calendar  
 18 month in which the tips were received, by deducting the  
 19 amount of the tax from such wages of the employee  
 20 (excluding tips, but including funds turned over by the  
 21 employee to the employer pursuant to paragraph (2))  
 22 as are under control of the employer.

23          “(2) If the tax imposed by section 3101, with re-  
 24 spect to tips received by an employee during a calendar  
 25 month which are included in written statements fur-

Tips included in a written statement to the employer on or before the 10th day following the month in which the tips were received will count as income for income tax purposes at the time the statement is furnished. Tips not reported within the time limit will count as income at the time they are actually received.

Employer is responsible for employee's social security tax on only those tips which an employee includes in a written statement furnished to the employer on or before the 10th day following the month the tips were received, and only to the extent that the employer can collect the employee tax within that time limit.

If the employee social security tax due on tips included in a timely written statement exceeds the employee's unpaid wages, he must give the employer on or before the 10th day following the month the tips were received an amount of money sufficient to pay the tax.

An employer may withhold the employee share of the social security tax on the basis of an estimated amount of tips each pay period, and adjust the amount withheld to conform to the amount actually due on the basis of the employee's reports of tips.

nished to the employer pursuant to section 6053 (a), exceeds the wages of the employee (excluding tips) from which the employer is required to collect the tax under paragraph (1), the employee shall furnish to the employer on or before the 10th day of the following month an amount of money equal to the amount of the excess.

“(3) The Secretary or his delegate may, under regulations prescribed by him, authorize employers—

“(A) to estimate the amount of tips that will be reported by the employee pursuant to section 6053 in any quarter of the calendar year,

“(B) to determine the amount to be deducted upon each payment of wages (exclusive of tips) during such quarter as if the tips so estimated constituted the actual tips so reported, and

“(C) to deduct upon any payment of wages (other than tips) to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted upon such wages of the employee during the quarter to the amount required to be deducted during the quarter without regard to this paragraph.”

(2) The second sentence of section 3102 (a) of such



1 Code is amended by inserting before the period at the end  
 2 thereof the following: “; and an employer who is furnished  
 3 by an employee a written statement of tips (received in a  
 4 calendar month) pursuant to section 6053 (a) to which  
 5 paragraph (12) (B) of section 3121 (a) is applicable may  
 6 deduct an amount equivalent to such tax with respect to such  
 7 tips from any wages of the employee (exclusive of tips)  
 8 under his control, even though at the time such statement is  
 9 furnished the total amount of the tips included in statements  
 10 furnished to the employer as having been received by the  
 11 employee in such calendar month in the course of his em-  
 12 ployment by such employer is less than \$20”.

An employer who is furnished a written statement of tips received in a month may deduct from the employee's wages (exclusive of tips) the employee's social security tax on the tips included in the statement, even though at the time the statement is furnished the total amount of tips reported is less than \$20.

13 (3) Section 3121 (a) of such Code (relating to defini-  
 14 tion of wages under the Federal Insurance Contributions  
 15 Act) is amended by striking out “or” at the end of para-  
 16 graph (10), by striking out the period at the end of para-  
 17 graph (11) and inserting in lieu thereof “; or ”, and by  
 18 adding after paragraph (11) the following new paragraph:

Tips are excluded from “wages” for social security tax purposes only if paid in a medium other than cash or if the employee's cash tips received in a month in the course of his employment by an employer total less than \$20.

19 “(12) (A) tips paid in any medium other than  
 20 cash;

21 “(B) cash tips received by an employee in any  
 22 calendar month in the course of his employment by an  
 23 employer unless the amount of such cash tips is \$20  
 24 or more.”

Except as excluded in the preceding section, tips are "wages" for social security tax purposes.

Covered tips will be deemed paid by the employer to the employee at the time a written statement including them is furnished to the employer, providing the statement is furnished on or before the 10th day following the month in which the tips were received; otherwise, tips will be deemed paid at the time they were received.

Tips which an employee receives are "wages" for income tax withholding purposes, except as excluded in the following section. Tips counted as "wages" will be deemed paid by the employer to the employee at the time a written statement including them is furnished to the employer, providing the statement is furnished on or before the 10th day following the month in which the tips were received. Tips not timely reported will be deemed paid when received.

1 (4) Section 3121 of such Code is further amended by  
2 adding at the end thereof the following new subsection:

3 "(q) TIPS.—For purposes of this chapter, tips received  
4 by an employee in the course of his employment shall be  
5 considered remuneration for employment. Such tips shall  
6 be deemed to be paid to the employee by the employer,  
7 and shall be deemed to be so paid at the time a written  
8 statement including such tips is furnished to the employer  
9 pursuant to section 6053 (a) or (if no statement including  
10 such tips is so furnished) at the time received."

11 (d) (1) Section 3401 of such Code (relating to defi-  
12 nitions for purposes of collecting income tax at source on  
13 wages) is amended by adding at the end thereof the fol-  
14 lowing new subsection:

15 "(f) TIPS.—For purposes of subsection (a), the term  
16 'wages' includes tips received by an employee in the course  
17 of his employment. Such tips shall be deemed to be paid  
18 to the employee by the employer, and shall be deemed to  
19 be so paid at the time a written statement including such  
20 tips is furnished to the employer pursuant to section 6053 (a)  
21 or (if no statement including such tips is so furnished) at  
22 the time received."

23 (2) Section 3401 (a) of such Code (relating to defini-  
24 tion of wages for purposes of collecting income tax at  
25 source) is amended by striking out " , or" at the end of

1 paragraph (6) and inserting in lieu thereof “; or”, by strik-  
 2 ing out the period at the end of paragraph (12) and insert-  
 3 ing in lieu thereof “; or”, by striking out the period at the  
 4 end of paragraph (15) and inserting in lieu thereof “; or”,  
 5 and by adding after paragraph (15) the following new  
 6 paragraph:

Tips are excluded from “wages”  
 subject to income tax withholding  
 only if paid in a medium other  
 than cash or if the employee's  
 cash tips received in a month  
 total less than \$20.

7 “(16) (A) as tips in any medium other than cash;  
 8 “(B) as cash tips to an employee in any calendar  
 9 month in the course of his employment by an employer  
 10 unless the amount of such cash tips is \$20 or more.”

11 (3) Subsection (a) of section 3402 of such Code  
 12 (relating to income tax collected at source) is amended by  
 13 striking out “subsection (j)” and inserting in lieu thereof  
 14 “subsections (j) and (k)”.

15 (4) Section 3402 of such Code is further amended by  
 16 adding at the end thereof the following new subsection:

17 “(k) TIPS.—In the case of tips which constitute wages,  
 18 subsection (a) shall be applicable only to such tips as are  
 19 included in a written statement furnished to the employer  
 20 pursuant to section 6053(a), and only to the extent that  
 21 the tax can be deducted and withheld by the employer, at  
 22 or after the time such statement is so furnished and before  
 23 the close of the calendar year in which the employee receives  
 24 the tips which are included in such statement, from such  
 25 wages of the employee (excluding tips, but including funds

An employer is required to with-  
 hold income tax on tips only to  
 the extent that he can collect  
 the tax before the close of the  
 calendar year in which the tips  
 were received, from the employee's  
 unpaid wages (not including tips),  
 or from funds turned over to him  
 for that purpose, remaining after  
 an amount equal to the amount due  
 for social security taxes has been  
 subtracted. An employer who is  
 furnished a written statement of  
 tips may withhold from the  
 employee's wages (exclusive of  
 tips) income tax on the tips in  
 the statement even though at the  
 time the statement is furnished  
 the total amount of tips reported  
 is less than \$20.

1 turned over by the employee to the employer for the pur-  
 2 pose of such deduction and withholding) as are under the  
 3 control of the employer; and an employer who is furnished  
 4 by an employee a written statement of tips (received in a  
 5 calendar month) pursuant to section 6053 (a) to which  
 6 paragraph (16) (B) of section 3401 (a) is applicable may  
 7 deduct and withhold the tax with respect to such tips from  
 8 any wages of the employee (excluding tips) under his  
 9 control, even though at the time such statement is furnished  
 10 the total amount of the tips included in statements furnished  
 11 to the employer as having been received by the employee  
 12 in such calendar month in the course of his employment by  
 13 such employer is less than \$20. Such tax shall not at any  
 14 time be deducted and withheld in an amount which exceeds  
 15 the aggregate of such wages and funds minus any tax re-  
 16 quired by section 3102 (a) to be collected from such wages."

The amount to be shown on Form W-2 as  
 "wages" subject to social security tax  
 will include tips only to the extent  
 they are included in written state-  
 ments furnished to the employer on or  
 before the 10th day following the  
 month the tips were received, and  
 then only to the extent that the  
 employee's social security tax can  
 be collected by the employer within  
 that time limit; the amount to be  
 shown as "wages" subject to income  
tax will include tips to the extent  
 they are included in a timely state-  
 ment furnished the employer.

17 (e) (1) Section 6051 (a) of such Code (relating to  
 18 receipts for employees) is amended by adding at the end  
 19 thereof the following new sentence: "In the case of tips  
 20 received by an employee in the course of his employment,  
 21 the amounts required to be shown by paragraph (3) shall  
 22 include only such tips as are included in statements furnished  
 23 to the employer pursuant to section 6053 (a); and the  
 24 amounts required to be shown by paragraph (5) shall include  
 25 only such tips as are reported by the employee to the em-  
 26 ployer pursuant to section 6053 (b)."



(2) (A) Subpart C of part III of subchapter A of chapter 61 of such Code (relating to information regarding wages paid employees) is amended by adding at the end thereof the following new section:

**"SEC. 6053. REPORTING OF TIPS.**

"(a) Every employee who, in the course of his employment by an employer, receives in any calendar month tips which are wages (as defined in section 3121 (a) or section 3401 (a) ) shall report all such tips in one or more written statements furnished to his employer on or before the 10th day following such month. Such statements shall be furnished by the employee under such regulations, at such other times before such 10th day, and in such form and manner, as may be prescribed by the Secretary or his delegate.

"(b) For purposes of sections 3102 (c), 3111, 6051 (a), and 6652 (c), tips received in any calendar month shall be considered reported pursuant to this section only if they are included in such a statement furnished to the employer on or before the 10th day following such month and only to the extent that the tax imposed with respect to such tips by section 3101 can be collected by the employer under section 3102."

(B) The table of sections for such subpart C is amended by adding at the end thereof the following:

"Sec. 6053. Reporting of tips."

Every employee who gets tips that are "wages" for income tax withholding or social security purposes must furnish his employer one or more written reports of the tips on or before the 10th day following the month in which they were received. Reports to be furnished in accordance with regulations prescribed by the Secretary of the Treasury.

For purposes of the employer's obligation to collect the employee social security tax, pay the employer tax, and show the wages on Form W-2 as subject to social security taxes, and for purposes of imposing the penalty (described in the following section) on an employee for failure to report tips and make available his share of the social security taxes due on such tips as required, tips will count only if they are included in a statement furnished to the employer on or before the 10th day after the month in which they were received and only to the extent that the employer can collect the employee share of the social security tax on them before the close of the 10th day following the month in which they were received.

An employee must pay, on any tips for which the employer was not liable for the employer's share of the tax (as provided in the following section), both the employee social security tax on such tips and an additional amount equal to the tax. The additional tax will be waived if the employee's failure to report his tips to his employer and pay his tax as required is due to reasonable cause and not due to willful neglect.

The employer is liable for paying his share of the social security tax only on tips reported to him by the employee on or before the 10th day following the month the tips were received and only to the extent that he can collect the employee share of the tax within that time limit.

Effective for tips received after 1965.

Adds Alaska and Kentucky to 18 States which may extend coverage to current members of retirement systems who want it, with compulsory coverage for new members.

(3) Section 6652 of such Code (relating to failure to file certain information returns) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) FAILURE TO REPORT TIPS.—In the case of tips to which section 6053 (a) applies, if the employee fails to report any of such tips to the employer pursuant to section 6053 (b), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be paid by the employee, in addition to the tax imposed by section 3101 with respect to the amount of the tips which he so failed to report, an amount equal to such tax."

(f) Section 3111 of such Code (relating to rate of tax on employers under the Federal Insurance Contributions Act), as amended by section 321 of this Act, is amended by adding at the end thereof the following new subsection:

"(c) TIPS.—In the case of tips which constitute wages, the tax imposed by this section shall be applicable only to such tips as are reported by the employee to the taxpayer pursuant to section 6053 (b)."

(g) The amendments made by this section shall apply only with respect to tips received by employees after 1965.

INCLUSION OF ALASKA AND KENTUCKY AMONG STATES

PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS

SEC. 314. The first sentence of section 218 (d) (6) (C) of the Social Security Act is amended—

1 (1) by inserting "Alaska," before "California";  
 2 and

3 (2) by inserting "Kentucky," before "Massachu-  
 4 setts".

5 ADDITIONAL PERIOD FOR ELECTING COVERAGE UNDER  
 6 DIVIDED RETIREMENT SYSTEM

7 SEC. 315. The first sentence of section 218 (d) (6) (F)  
 8 of the Social Security Act is amended by striking out "1963"  
 9 and inserting in lieu thereof "1967".

Provides a further opportunity, through 1966, for election of social security coverage by State and local employees who did not elect coverage when they previously had the opportunity to do so under the divided retirement system.

10 EMPLOYEES OF NONPROFIT ORGANIZATIONS

11 SEC. 316. (a) (1) Section 3121 (k) (1) (B) (iii) of  
 12 the Internal Revenue Code of 1954 (relating to effective  
 13 date of exemption of religious, charitable, and certain other  
 14 organizations) is amended to read as follows:

Permits nonprofit organizations to elect up to five years of retroactive coverage for their employees.

15 " (iii) the first day of any calendar quarter  
 16 preceding the calendar quarter in which the cer-  
 17 tificate is filed, except that such date may not  
 18 be earlier than the first day of the twentieth calen-  
 19 dar quarter preceding the quarter in which such  
 20 certificate is filed."

21 (2) The amendment made by paragraph (1) shall  
 22 apply in the case of any certificate filed under section 3121  
 23 (k) (1) (A) of such Code after the date of the enactment  
 24 of this Act.

Increased retroactivity applies to waiver certificates filed after date of enactment of the bill.

25 (b) Section 3121 (k) (1) of such Code (relating to

Permits nonprofit organization that has filed a waiver certificate before 1966 to amend

its certificate during 1965 or 1966 and make original certificate retroactive as much as five years before the calendar quarter amendment to certificate is filed.

1 waiver of exemption by religious, charitable, and certain  
2 other organizations) is further amended by adding at the end  
3 thereof the following new subparagraph:

4           “(H) An organization which files a certificate  
5 under subparagraph (A) before 1966 may amend  
6 such certificate during 1965 or 1966 to make the  
7 certificate effective with the first day of any calendar  
8 quarter preceding the quarter for which such cer-  
9 tificate originally became effective, except that such  
10 date may not be earlier than the first day of the  
11 twentieth calendar quarter preceding the quarter in  
12 which such certificate is so amended.”

Amends section 105(b) of 1960 Social Security Amendments to provide that:

13           (c) (1) Section 105 (b) of the Social Security Amend-  
14 ments of 1960 is amended to read as follows:

15           “(b) (1) If—

If--

(1) an individual performed service for a nonprofit organization with respect to which remuneration was paid before the organization filed a waiver certificate, and

16           “(A) an individual performed service in the  
17 employ of an organization with respect to which  
18 remuneration was paid before the first day of the  
19 calendar quarter in which the organization filed  
20 a waiver certificate pursuant to section 3121(k)  
21 (1) of the Internal Revenue Code of 1954, and  
22 such service is excepted from employment under  
23 section 210(a) (8) (B) of the Social Security Act,

(2) such service would have been covered employment if the organization had filed a waiver effective with respect to such service, and

24           “(B) such service would have constituted em-  
25 ployment as defined in section 210 of such Act if



1 the requirements of section 3121 (k) (1) of such  
2 Code were satisfied,

3 “(C) such organization paid, on or before the due (3) such organization paid on  
4 date of the tax return for the calendar quarter be- tax return for the calendar  
5 fore the calendar quarter in which the organization quarter before the quarter in  
6 filed a certificate pursuant to section 3121 (k) (1) which it filed its waiver any  
7 of such Code, any amount, as taxes imposed by sec- amount as FICA tax with res-  
8 tions 3101 and 3111 of such Code, with respect to spect to such remuneration, and  
9 such remuneration paid by the organization to the  
10 individual for such service,

11 “(D) such individual, or a fiduciary acting (4) a request is made by the  
12 for such individual or his estate, or his survivor individual or a fiduciary on  
13 (within the meaning of section 205 (c) (1) (C) of his behalf or his estate or  
14 such Act), requests that such remuneration be survivor that such remuneration  
15 deemed to constitute remuneration for employment constitute remuneration for  
16 for purposes of title II of such Act, and purposes of title II, and

17 “(E) the request is made in such form and (5) the request is made in  
18 manner, and with such official, as may be pre- accordance with regulations  
19 scribed by regulations made by the Secretary of made by DHEW--  
20 Health, Education, and Welfare,

21 then, subject to the conditions stated in paragraphs (2), then such remuneration with  
22 (3), (4), and (5), the remuneration with respect to which respect to which the amount  
23 the amount has been paid as taxes shall be deemed to con- has been paid as taxes shall  
24 stitute remuneration for employment for purposes of title II constitute remuneration for  
25 of such Act. employment if--

(1) on or before date request is made the organization filed a waiver, and

(2) the individual is not employed by the organization on the date the waiver is filed, and

(3) any amount refunded or credited (including interest) is repaid before 1/1/68, or, if later, before the first day of the third year after the year in which the organization files its waiver.

Provides that only service performed for the organization during a period for which the organization has a waiver in effect can be validated.

Amended provisions are effective upon date of enactment. Provisions of section 105(b) of 1960 Social Security Amendments in effect before date of

1 “(2) Paragraph (1) shall not apply with respect to  
2 an individual unless the organization referred to in paragraph  
3 (1) (A), on or before the date on which the request de-  
4 scribed in paragraph (1) is made, has filed a certificate  
5 pursuant to section 3121 (k) (1) of such Code.

6 “(3) Paragraph (1) shall not apply with respect to  
7 an individual who is employed by the organization referred  
8 to in paragraph (2) on the date the certificate is filed.

9 “(4) If credit or refund of any portion of the amount  
10 referred to in paragraph (1) (C) (other than a credit or  
11 refund which would be allowed if the service constituted  
12 employment for purposes of chapter 21 of such Code) has  
13 been obtained, paragraph (1) shall not apply with respect  
14 to the individual unless the amount credited or refunded  
15 (including any interest under section 6611 of such Code)  
16 is repaid before January 1, 1968, or, if later, the first day  
17 of the third year after the year in which the organization  
18 filed a certificate pursuant to section 3121 (k) (1) of such  
19 Code.

20 “(5) Paragraph (1) shall not apply to any service  
21 performed for the organization in a period for which a  
22 certificate filed pursuant to section 3121 (k) (1) of such  
23 Code is not in effect.”

24 (2) The amendment made by paragraph (1) shall  
25 take effect on the date of the enactment of this Act. The

1 provisions of section 105 (b) of the Social Security Amend-  
 2 ments of 1960 which were in effect before the date of the  
 3 enactment of this Act shall be applicable with respect to  
 4 any request filed under section 105 (b) (1) of such Amend-  
 5 ments before such date. Nothing in the preceding sentence  
 6 shall prevent the filing of a request under section 105 (b) (1)  
 7 of such Amendments as amended by this Act.

enactment apply to validation requests filed before date of enactment of this bill. Request for validation made under present law will not preclude request for validation made after date of enactment under these provisions as amended by this bill.

8 COVERAGE OF TEMPORARY EMPLOYEES OF THE DISTRICT  
 9 OF COLUMBIA

10 SEC. 317. (a) Section 210 (a) (7) of the Social Security  
 11 Act is amended—

Extends social security coverage to employees of the District of Columbia not covered under a retirement system established by a law of the United States by removing the present exclusion, except for certain specified services which would continue to be excluded from coverage. (See subsection (g) for special provisions for putting coverage into effect.)

12 (1) by striking out "or" at the end of subpara-  
 13 graph (B),

14 (2) by striking out the semicolon at the end of  
 15 subparagraph (C) (ii) and inserting in lieu thereof  
 16 " , or", and

17 (3) by adding after subparagraph (C) the follow-  
 18 ing new subparagraph:

19 "(D) service performed in the employ of the Dis-  
 20 trict of Columbia or any instrumentality which is wholly  
 21 owned thereby, if such service is not covered by a re-  
 22 tirement system established by a law of the United  
 23 States; except that the provisions of this subparagraph  
 24 shall not be applicable to service performed—

Still excluded: services performed in a hospital or penal institution by an inmate or patient thereof.

Still excluded: services performed in a D.C. hospital by student nurses, and certain other student employees. (Services as a medical or dental intern or as a medical or dental resident-in-training would not be excluded by this provision.)

Still excluded: services performed on a temporary basis in certain emergencies.

Still excluded: services performed as a member of a D.C. board, committee, or council paid on a per diem, meeting or other fee basis.

Conforming amendment to IRC-- covers for tax purposes the services of D.C. employees covered for benefit purposes.

"(i) in a hospital or penal institution by a patient or inmate thereof;

"(ii) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the District of Columbia Government; 5 U.S.C. 1052), other than as a medical or dental intern or as a medical or dental resident in training;

"(iii) by any individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency; or

"(iv) by a member of a board, committee, or council of the District of Columbia, paid on a per diem, meeting, or other fee basis;"

(b) Section 3121 (b) (7) of the Internal Revenue Code of 1954 (relating to certain services not included in definition of employment) is amended--

(1) by striking out "or" at the end of subparagraph (A),

(2) by striking out the semicolon at the end of subparagraph (B) and inserting in lieu thereof "or", and

(3) by adding after subparagraph (B) the following new subparagraph:



1       “(C) service performed in the employ of the  
 2       District of Columbia or any instrumentality which is  
 3       wholly owned thereby, if such service is not covered  
 4       by a retirement system established by a law of the  
 5       United States: except that the provisions of this  
 6       subparagraph shall not be applicable to service  
 7       performed—

Conforming amendment to IRC--  
 covers for tax purposes the  
 services of D.C. employees  
 covered for benefit purposes.

8               “(i) in a hospital or penal institution by a  
 9       patient or inmate thereof;

10              “(ii) by any individual as an employee in-  
 11       cluded under section 2 of the Act of August 4,  
 12       1947 (relating to certain interns, student nurses,  
 13       and other student employees of hospitals of the  
 14       District of Columbia Government; 5 U.S.C. 1052),  
 15       other than as a medical or dental intern or as a  
 16       medical or dental resident in training;

17              “(iii) by any individual as an employee serv-  
 18       ing on a temporary basis in case of fire, storm,  
 19       snow, earthquake, flood or other similar emergency;  
 20       or

21              “(iv) by a member of a board, committee, or  
 22       council of the District of Columbia, paid on a per  
 23       diem, meeting, or other fee basis;”.

24       (c) (1) Section 3125 of such Code (relating to returns

1 in the case of governmental employees in Guam and Amer-  
 2 ican Samoa) is amended by adding at the end thereof the  
 3 following new subsection:

Provides that the Commissioners of the District of Columbia or their agents may collect and pay into the Federal Treasury the social security taxes imposed on governmental employees in the District of Columbia. For convenience of administration payments of the social security employer tax may be made without regard to the \$5,600 limitation on taxable wages paid before 1971, and the \$6,600 limitation on taxable wages paid after 1970. (Comparable to provisions of the IRC relating to reporting and payment of social security taxes by Federal agencies and instrumentalities.)

4 “(c) DISTRICT OF COLUMBIA.—In the case of the  
 5 taxes imposed by this chapter with respect to service per-  
 6 formed in the employ of the District of Columbia or in  
 7 the employ of any instrumentality which is wholly owned  
 8 thereby, the return and payment of the taxes may be made  
 9 by the Commissioners of the District of Columbia or by  
 10 such agents as they may designate. The person making  
 11 such return may, for convenience of administration, effective  
 12 with respect to remuneration paid before 1971, make pay-  
 13 ments of the tax imposed by section 3111 with respect  
 14 to such service without regard to the \$5,600 limitation in  
 15 section 3121 (a) (1) and, effective with respect to remunera-  
 16 tion paid after 1970, without regard to the \$6,600 limita-  
 17 tion in such section 3121 (a) (1).”

18 (2) The heading of such section 3125 is  
 19 amended by striking out “AND AMERICAN SAMOA” and in-  
 20 serting in lieu thereof “, AMERICAN SAMOA, AND THE  
 21 DISTRICT OF COLUMBIA”.

22 (3) The table of sections for subchapter C of chapter 21

- 1 of such Code (relating to general provisions for Federal In-  
 2 surance Contributions Act) is amended by striking out

"Sec. 3125. Returns in the case of governmental employees  
 in Guam and American Samoa."

- 3 and inserting in lieu thereof

"Sec. 3125. Returns in the case of governmental employees  
 in Guam, American Samoa, and the District  
 of Columbia."

- 4 (d) Section 6205 (a) of such Code (relating to ad-  
 5 justment of tax) is amended by adding at the end thereof  
 6 the following new paragraph:

- 7 " (4) DISTRICT OF COLUMBIA AS EMPLOYER.—For  
 8 purposes of this subsection, in the case of remuneration  
 9 received during any calendar year from the District of  
 10 Columbia or any instrumentality which is wholly owned  
 11 thereby, the Commissioners of the District of Columbia  
 12 and each agent designated by them who makes a return  
 13 pursuant to section 3125 shall be deemed a separate  
 14 employer."

- 15 (e) Section 6413 (a) of such Code (relating to adjust-  
 16 ment of certain employment taxes) is amended by adding at  
 17 the end thereof the following paragraph:

- 18 " (4) DISTRICT OF COLUMBIA AS EMPLOYER.—For  
 19 purposes of this subsection, in the case of remuneration

For adjustment purposes, where less than the correct amount of taxes has been paid, the Commissioners of the District of Columbia and each of their agents designated to report social security taxes shall be treated as separate employers. (Comparable to the treatment provided employees who work for more than one Federal agency or instrumentality in a year.)

For adjustment purposes, where more than the correct amount of taxes has been paid, the Commissioners of the District of Columbia and each of their agents designated to report social security taxes shall be treated as separate employers. (Comparable provisions apply to Federal Government.)

1        ation received during any calendar year from the District  
 2        of Columbia or any instrumentality which is wholly  
 3        owned thereby, the Commissioners of the District of  
 4        Columbia and each agent designated by them who  
 5        makes a return pursuant to section 3125 shall be deemed  
 6        a separate employer."

For purposes of special refunds to employees who, by reason of working for more than one employer in a year pay contributions on wages in excess of \$5,600 for years before 1971, and in excess of \$6,600 for years after 1970, the Commissioners of the District of Columbia and each of the agents they designate to report social security taxes shall be treated as separate employers. (Comparable to the treatment provided employees who work for more than one Federal agency or instrumentality in a year.)

7        (f) (1) Section 6413 (c) (2) of such Code (relating  
 8        to applicability of special refunds to certain employment  
 9        taxes) is amended by adding at the end thereof the follow-  
 10       ing new subparagraph:

11        "(F) 'GOVERNMENTAL EMPLOYEES IN THE  
 12        DISTRICT OF COLUMBIA.—In the case of remunera-  
 13        tion received from the District of Columbia or any  
 14        instrumentality wholly owned thereby, during any  
 15        calendar year, the Commissioners of the District of  
 16        Columbia and each agent designated by them who  
 17        makes a return pursuant to section 3125 (c) shall,  
 18        for purposes of this subsection, be deemed a sepa-  
 19        rate employer."

20        (2) The heading of such section 6413 (c) (2) is  
 21        amended by striking out "AND AMERICAN SAMOA" and in-  
 22        serting in lieu thereof "AMERICAN SAMOA, AND THE DIS-  
 23        TRICT OF COLUMBIA".

24        (g) The amendments made by this section shall apply  
 25        with respect to service performed after the calendar quarter

Effective date: amendments apply to services performed after the quarter in which enacted and after the calendar



1 in which this section is enacted and after the calendar quar-  
 2 ter in which the Secretary of the Treasury receives a cer-  
 3 tification from the Commissioners of the District of Colum-  
 4 bia expressing their desire to have the insurance system  
 5 established by title II (and part A of title XVIII) of the  
 6 Social Security Act extended to the officers and employees  
 7 coming under the provisions of such amendments.

quarter in which the  
 Secretary of the Treasury  
 receives a certification  
 from the D.C. Commissioners  
 that they desire coverage of  
 these services.

8 **COVERAGE FOR CERTAIN ADDITIONAL HOSPITAL**

9 **EMPLOYEES IN CALIFORNIA**

Permits California to modify  
 its coverage agreement to  
 cover the services of certain  
 hospital employees first  
 employed by the State after  
 December 31, 1959.

10 **SEC. 318.** Section 102(k) of the Social Security  
 11 Amendments of 1960 is amended by inserting "(1)" im-  
 12 mediately after "(k)", and by adding at the end thereof  
 13 the following new paragraph:

14 "(2) Such agreement, as modified pursuant to para-  
 15 graph (1), may at the option of such State be further  
 16 modified, at any time prior to the seventh month after the  
 17 month in which this paragraph is enacted, so as to apply  
 18 to services performed for any hospital affected by such  
 19 earlier modification by any individual who after December  
 20 31, 1959, is or was employed by such State (or any politi-  
 21 cal subdivision thereof) in any position described in para-  
 22 graph (1). Such modification shall be effective with re-  
 23 spect to (A) all services performed by such individual in  
 24 any such position on or after January 1, 1962, and (B)

Provides that modifications  
 made under this provision  
 shall be effective with  
 respect to services performed  
 after January 1, 1962; also

services performed before January 1, 1962, would be covered where contributions in the proper amount have been paid.

Amends IRC to exclude from definition of "trade or business," and thus from SS tax liability, service performed during the period for which an individual has in effect a tax exemption under section 1402(h) of the IRC. (Section 319(c) of the bill adds section 1402(h) to the IRC.)

Makes comparable amendment in the coverage provisions of the SS Act.

1 all such services, performed before such date, with respect  
2 to which amounts equivalent to the sum of the taxes which  
3 would have been imposed by sections 3101 and 3111 of  
4 the Internal Revenue Code of 1954 if such services had  
5 constituted employment for purposes of chapter 21 of such  
6 Code at the time they were performed have, prior to the  
7 date of the enactment of this paragraph, been paid."

8 TAX EXEMPTION FOR RELIGIOUS GROUPS OPPOSED TO  
9 INSURANCE

10 SEC. 319. (a) Subsection (c) of section 1402 of the  
11 Internal Revenue Code of 1954 is amended by striking out  
12 "or" at the end of paragraph (4), by striking out the period  
13 at the end of paragraph (5) and inserting in lieu thereof  
14 "; or", and by adding after paragraph (5) the following  
15 new paragraph:

16 "(6) the performance of service by an individual  
17 during the period for which an exemption under subsection  
18 (h) is effective with respect to him."

19 (b) Subsection (c) of section 211 of the Social Security  
20 Act is amended by striking out "or" at the end of paragraph  
21 (4), by striking out the period at the end of paragraph (5)  
22 and inserting in lieu thereof "; or", and by adding after  
23 paragraph (5) the following new paragraph:

24 "(6) The performance of service by an individual  
25 during the period for which an exemption under sec-

tion 1402 (h) of the Internal Revenue Code of 1954 is effective with respect to him."

(c) Section 1402 of the Internal Revenue Code of 1954 is further amended by adding at the end thereof the following new subsection:

"(h) MEMBERS OF CERTAIN RELIGIOUS FAITHS.—

"(1) EXEMPTION.—Any individual may file an application (in such form and manner, and with such official, as may be prescribed by regulations under this chapter) for an exemption from the tax imposed by this chapter if he is a member of a recognized religious sect or division thereof and is an adherent of established tenets or teachings of such sect or division by reason of which he is conscientiously opposed to acceptance of the benefits of any private or public insurance which makes payments in the event of death, disability, old-age, or retirement or makes payments toward the cost of, or provides services for, medical care (including the benefits of any insurance system established by the Social Security Act). Such exemption may be granted only if the application contains or is accompanied by—

"(A) such evidence of such individual's membership in, and adherence to the tenets or teachings of, the sect or division thereof as the Secretary or his delegate may require for purposes of determining

Provides that an individual may file an application for exemption from social security self-employment taxes if he is a member of a recognized religious sect or division thereof and is an adherent of its tenets or teachings by reason of which he is conscientiously opposed to accepting benefits of any public or private insurance making payment in event of death, disability, old-age, or retirement or making payment toward the cost of, or providing services for, medical care.

Such an exemption may be granted only if: (1) the individual's application contains or is accompanied by such evidence as the Secretary of the Treasury may require for determining that the individual is a member of and adheres to the tenets or teachings of such sect or division, (2) the individual's

application contains or is accompanied by his waiver of all benefits and other payments to him based on his social security earnings record and benefits and payments to him based on the social security record of any other person, and (3) the Secretary of HEW finds that (a) the sect or division has the established tenets or teachings referred to above, (b) it is the practice, and has been for a substantial period of time, for the members of the sect to make reasonable provision for their dependent members, and (c) the sect or division has been in existence continuously since December 31, 1950.

An exemption may not be granted to an individual if any social security benefit or other payment under title II or under the program of health insurance benefits for the aged became payable to any other person based on such individual's social security credits, or to him based on the social security credits of any other person, at or before the time the waiver of benefit is filed.

such individual's compliance with the preceding sentence, and

"(B) his waiver of all benefits and other payments under titles II and XVIII of the Social Security Act on the basis of his wages and self-employment income as well as all such benefits and other payments to him on the basis of the wages and self-employment income of any other person, and only if the Secretary of Health, Education, and Welfare finds that—

"(C) such sect or division thereof has the established tenets or teachings referred to in the preceding sentence,

"(D) it is the practice, and has been for a period of time which he deems to be substantial, for members of such sect or division thereof to make provision for their dependent members which in his judgment is reasonable in view of their general level of living, and

"(E) such sect or division thereof has been in existence at all times since December 31, 1950.

An exemption may not be granted to any individual if any benefit or other payment referred to in subparagraph (B) became payable (or, but for section 203 or 222 (b) of the Social Security Act, would have become payable) at or before the time of the filing of such waiver.



1       “(2) TIME FOR FILING APPLICATION.—For pur-  
2 poses of this subsection, an application must be filed—

3           “(A) In the case of an individual who has  
4 self-employment income (determined without re-  
5 gard to this subsection and subsection (c) (6) ) for  
6 any taxable year ending before December 31, 1965,  
7 on or before April 15, 1966, and

8           “(B) In any other case, on or before the time  
9 prescribed for filing the return (including any exten-  
10 sion thereof) for the first taxable year ending on or  
11 after December 31, 1965, for which he has self-  
12 employment income (as so determined).

13       “(3) PERIOD FOR WHICH EXEMPTION EFFEC-  
14 TIVE.—An exemption granted to any individual pur-  
15 suant to this subsection shall apply with respect to all  
16 taxable years beginning after December 31, 1950, ex-  
17 cept that such exemption shall not apply for any taxable  
18 year—

19           “(A) beginning (i) before the taxable year in  
20 which such individual first met the requirements of  
21 the first sentence of paragraph (1), or (ii) before  
22 the time as of which the Secretary of Health, Edu-  
23 cation, and Welfare finds that the sect or division  
24 thereof of which such individual is a member met  
25 the requirements of subparagraphs (C) and (D),

Provides that an application for tax exemption must be filed by April 15, 1966, if an individual had taxable self-employment income for any taxable year ending before December 31, 1965; those who first have taxable self-employment income in taxable years ending on or after December 31, 1965, must apply on or before the due date of the self-employment return for the first taxable year for which they have taxable self-employment income.

Provides that an exemption will be effective with respect to all taxable years beginning after December 31, 1950, except such exemption will not be effective with respect to any taxable year beginning before the taxable year in which the Secretary of the Treasury finds that the individual first met the requirements that he be a member of a religious sect or division and was an adherent of their beliefs by reason of which he was conscientiously opposed to acceptance of certain types of insurance, or before the time the Secretary of HEW finds that the sect or division has the required tenets or teachings and provides for its dependent members.

Provides that the tax exemption shall not apply for any taxable year which ends after the Secretary of the Treasury finds that the individual ceases to be a member of such a sect and an adherent of such beliefs, or which ends after Secretary of HEW finds that the sect no longer has the required tenets or teachings or makes reasonable provision for its dependent members.

Provides that where an individual who has self-employment income dies before the expiration of the time for filing an exemption, an application for exemption may be filed with respect to such individual within such time by a fiduciary acting for the individual's estate or by his survivor (as defined in the section of the Social Security Act relating to survivors benefits).

Provides that if an individual is granted a tax exemption no social security benefits (including hospital insurance benefits) will be payable to him, nor will benefits be payable to any other person, based on his social security credits after he files the required waiver of benefits; except that if the exemption ceases to be effective the waiver will not be applicable with respect to benefits based on covered earnings for periods after the waiver ceases to be effective.

“(B) ending (i) after the time such individual ceases to meet the requirements of the first sentence of paragraph (1), or (ii) after the time as of which the Secretary of Health, Education, and Welfare finds that the sect or division thereof of which he is a member ceases to meet the requirements of subparagraph (C) or (D).”

“(4) APPLICATION BY FIDUCIARIES OR SURVIVORS.—In any case where an individual who has self-employment income dies before the expiration of the time prescribed by paragraph (2) for filing an application for exemption pursuant to this subsection, such an application may be filed with respect to such individual within such time by a fiduciary acting for such individual's estate or by such individual's survivor (within the meaning of section 205(c) (1) (C) of the Social Security Act).”

(d) Section 202 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“Waiver of Benefits

“(v) Notwithstanding any other provisions of this title, in the case of any individual who files a waiver pursuant to section 1402(h) of the Internal Revenue Code of 1954 and is granted a tax exemption thereunder, no benefits or other payments shall be payable under this title to him, no payments shall be made on his behalf under

1 part A of title XVIII, and no benefits or other payments  
 2 under this title shall be payable on the basis of his wages  
 3 and self-employment income to any other person, after the  
 4 filing of such waiver; except that, if thereafter such indi-  
 5 vidual's tax exemption under such section 1402 (h) ceases  
 6 to be effective, such waiver shall cease to be applicable in  
 7 the case of benefits and other payments under this title and  
 8 part A of title XVIII to the extent based on his self-em-  
 9 ployment income for and after the first taxable year for  
 10 which such tax exemption ceases to be effective and on his  
 11 wages for and after the calendar year (if any) which begins  
 12 in or with the beginning of such taxable year."

13 (e) The amendments made by this section shall apply Provides that these amendments  
 14 with respect to taxable years beginning after December 31, to taxable years beginning  
 15 1950. For such purpose, chapter 2 of the Internal Reve- after 12/31/50.  
 16 nue Code of 1954 shall be treated as applying to all taxable  
 17 years beginning after such date.

18 (f) If refund or credit of any overpayment resulting Provides that a refund or credit  
 19 from the enactment of this section is prevented on the date of any overpayment resulting  
 20 of the enactment of this Act or at any time on or before from these provisions may be  
 21 April 15, 1966, by the operation of any law or rule of law, made or allowed, notwithstanding  
 22 refund or credit of such overpayment may, nevertheless, be the operation of any other law  
 23 made or allowed if claim therefor is filed on or before April which bars such refund or credit,  
 24 15, 1966. No interest shall be allowed or paid on any over- if a claim for refund is filed  
 25 payment resulting from the enactment of this section. on or before 4/15/66. No  
 interest shall be allowed or  
 paid on any overpayment resulting  
 from enactment of these provisions.

1 INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX  
2 PURPOSES

3 SEC. 320. (a) (1) (A) Section 209 (a) (3) of the  
4 Social Security Act is amended by inserting "and prior to  
5 1966" after "1958".

6 (B) Section 209 (a) of such Act is further amended by  
7 adding at the end thereof the following new paragraphs:

8 " (4) That part of remuneration which, after remuneration (other than remuneration referred to in the  
9 succeeding subsections of this section) equal to \$5,600  
10 with respect to employment has been paid to an indi-  
11 vidual during any calendar year after 1965 and prior to  
12 1971, is paid to such individual during such calendar  
13 year;  
14

15 " (5) That part of remuneration which, after remuneration (other than remuneration referred to in the  
16 succeeding subsections of this section) equal to \$6,600  
17 with respect to employment has been paid to an indi-  
18 vidual during any calendar year after 1970, is paid to  
19 such individual during such calendar year;"

20  
21 (2) (A) Section 211 (b) (1) (C) of such Act is  
22 amended by inserting "and prior to 1966" after "1958", and  
23 by striking out "; or" and inserting in lieu thereof "; and".

24 (B) Section 211 (b) (1) of such Act is further amended  
25 by adding at the end thereof the following new subpara-  
26 graphs:

\$5600 base for wages effective for 1966.

\$6600 base for wages effective for 1971.



1           “(D) For any taxable year ending after 1965 and  
2 prior to 1971, (i) \$5,600, minus (ii) the amount of  
3 the wages paid to such individual during the taxable  
4 year; and

5           “(E) For any taxable year ending after 1970, (i) \$6600 self-employment base effective  
6 \$6,600, minus (ii) the amount of the wages paid to such  
7 individual during the taxable year; or”.

8           (3) (A) Section 213 (a) (2) (ii) of such Act is  
9 amended by striking out “after 1958” and inserting in lieu  
10 thereof “after 1958 and before 1966, or \$5,600 in the case  
11 of a calendar year after 1965 and before 1971, or \$6,600 in  
12 the case of a calendar year after 1970”.

13           (B) Section 213 (a) (2) (iii) of such Act is amended  
14 by striking out “after 1958” and inserting in lieu thereof  
15 “after 1958 and before 1966, or \$5,600 in the case of a tax-  
16 able year ending after 1965 and before 1971, or \$6,600 in  
17 the case of a taxable year ending after 1970”.

4 quarters of coverage for \$5600 in  
a year after 1965 and before 1971  
and for \$6600 in a year after 1970.

18           (4) Section 215 (e) (1) of such Act is amended by  
19 striking out “and the excess over \$4,800 in the case of any  
20 calendar year after 1958” and inserting in lieu thereof  
21 “the excess over \$4,800 in the case of any calendar year  
22 after 1958 and before 1966, the excess over \$5,600 in the  
23 case of any calendar year after 1965 and before 1971, and  
24 the excess over \$6,600 in the case of any calendar year after  
25 1970”.

Increases to \$5600 earnings that  
can be counted in computing average  
monthly earnings for years after  
1965 and before 1971; increases to  
\$6600 earnings that can be counted  
in computing average monthly earn-  
ings for years after 1970.

1 (b) (1) (A) Section 1402 (b) (1) (C) of the Internal  
 2 Revenue Code of 1954 (relating to definition of self-employ-  
 3 ment income) is amended by inserting "and before 1966"  
 4 after "1958", and by striking out "; or" and inserting in  
 5 lieu thereof "; and".

6 (B) Section 1402 (b) (1) of such Code is further  
 7 amended by adding at the end thereof the following new  
 8 subparagraphs:

9 "(D) for any taxable year ending after 1965  
 10 and before 1971, (i) \$5,600, minus (ii) the  
 11 amount of the wages paid to such individual dur-  
 12 ing the taxable year; and

13 "(E) for any taxable year ending after 1970,  
 14 (i) \$6,600, minus (ii) the amount of the wages  
 15 paid to such individual during the taxable year; or".

16 (2) (A) Section 3121 (a) (1) of such Code (relating  
 17 to definition of wages) is amended by striking out "\$4,800"  
 18 each place it appears and inserting in lieu thereof "\$5,600".

19 (B) Effective with respect to remuneration paid after  
 20 1970, section 3121 (a) (1) of such Code as amended  
 21 by subparagraph (A) of this paragraph is amended by  
 22 striking out "\$5,600" each place it appears and inserting  
 23 in lieu thereof "\$6,600".

24 (3) (A) The second sentence of section 3122 of such  
 25 Code (relating to Federal service) is amended by striking  
 26 out "\$4,800" and inserting in lieu thereof "\$5,600".

\$5600 tax base for self-employment  
 income effective for taxable years  
 ending after 1965 and before 1971 and  
 a \$6600 tax base for self-employment  
 income effective for taxable years  
 ending after 1970.

\$5600 tax base for wages effective  
 for calendar years after 1965 and before  
 1971 and a \$6600 tax base for wages  
 effective for calendar years after 1970.

Conforms provision on tax payments on  
 Federal employees' wages to \$5600  
 limitation and provides for conforming  
 this provision to \$6600 limitation,  
 effective after 1970.

1 (B) Effective with respect to remuneration paid after  
 2 1970, such second sentence as amended by subparagraph  
 3 (A) of this paragraph is amended by striking out "\$5,600"  
 4 and inserting in lieu thereof "\$6,600".

5 (4) (A) Section 3125 of such Code (relating to re-  
 6 turns in the case of governmental employees in Guam and  
 7 American Samoa) is amended by striking out "\$4,800"  
 8 where it appears in subsections (a) and (b) and inserting  
 9 in lieu thereof "\$5,600".

Conforms provision on tax payments on wages of governmental employees of Guam and American Samoa to \$5600 limitation and provides for conforming this provision to \$6600 limitation, effective after 1970.

10 (B) Effective with respect to remuneration paid after  
 11 1970, section 3125 of such Code as amended by sub-  
 12 paragraph (A) of this paragraph is amended by striking  
 13 out "\$5,600" where it appears in subsections (a) and (b)  
 14 and inserting in lieu thereof "\$6,600".

15 (5) Section 6413 (c) (1) of such Code (relating to  
 16 special refunds of employment taxes) is amended—

17 (A) by inserting "and prior to the calendar year  
 18 1966" after "the calendar year 1958";

Conforms employee tax refunds to \$5600 base for taxes for calendar years after 1965 and before 1971 and to \$6600 base for taxes for calendar years after 1970.

19 (B) by inserting after "exceed \$4,800," the follow-  
 20 ing: "or (C) during any calendar year after the  
 21 calendar year 1965 and prior to the calendar year  
 22 1971, the wages received by him during such year  
 23 exceed \$5,600, or (D) during any calendar year after  
 24 the calendar year 1970, the wages received by him  
 25 during such year exceed \$6,600".

1 (C) by inserting before the period at the end  
 2 thereof the following: "and before 1966, or which ex-  
 3 ceeds the tax with respect to the first \$5,600 of such  
 4 wages received in such calendar year after 1965 and  
 5 before 1971, or which exceeds the tax with respect to  
 6 the first \$6,600 of such wages received in such calendar  
 7 year after 1970".

Conforms definition of "wages"  
 of Federal employees to \$5600 base  
 for taxes for calendar years 1966 --  
 1970 and to \$6600 for calendar years  
 after 1970.

8 (6) Section 6413 (c) (2) (A) of such Code (relating  
 9 to refunds of employment taxes in the case of Federal em-  
 10 ployees) is amended by striking out "or \$4,800 for any  
 11 calendar year after 1958" and inserting in lieu thereof  
 12 "\$4,800 for the calendar year 1959, 1960, 1961, 1962,  
 13 1963, 1964, or 1965, or \$5,600 for the calendar year  
 14 1966, 1967, 1968, 1969, or 1970, or \$6,600 for any cal-  
 15 endar year after 1970".

Changes in base effective after 1965  
 for taxes.

16 (c) The amendments made by subsections (a) (1) and  
 17 (a) (3) (A), and the amendments made by subsection (b)  
 18 (except paragraph (1) thereof), shall apply only with re-  
 19 spect to remuneration paid after December 1965. The  
 20 amendments made by subsections (a) (2), (a) (3) (B),  
 21 and (b) (1) shall apply only with respect to taxable years  
 22 ending after 1965. The amendment made by subsection (a)  
 23 (4) shall apply only with respect to calendar years after  
 24 1965.

#### 25 CHANGES IN TAX SCHEDULES

26 SEC. 321. (a) Section 1401 of the Internal Revenue



1 Code of 1954 (relating to rate of tax under the Self-Em-  
2 ployment Contributions Act) is amended to read as follows:

3 "SEC. 1401. RATE OF TAX.

4 "(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
5 ANCE.—In addition to other taxes, there shall be imposed  
6 for each taxable year, on the self-employment income of  
7 every individual, a tax as follows:

Tax rates for self-employed for  
OASDI for taxable years beginning  
in:

1966-68	6.0%
1969-72	6.6%
1973 and after	7.0%

Under present law the tax rates  
are:

1965	5.4%
1966-67	6.2%
1968 and after	6.9%

8 "(1) in the case of any taxable year beginning  
9 after December 31, 1965, and before January 1, 1969,  
10 the tax shall be equal to 6.0 percent of the amount  
11 of the self-employment income for such taxable year;

12 "(2) in the case of any taxable year beginning  
13 after December 31, 1968, and before January 1, 1973,  
14 the tax shall be equal to 6.6 percent of the amount  
15 of the self-employment income for such taxable year;  
16 and

17 "(3) in the case of any taxable year beginning  
18 after December 31, 1972, the tax shall be equal to  
19 7.0 percent of the amount of the self-employment  
20 income for such taxable year.

21 "(b) HOSPITAL INSURANCE.—In addition to the tax  
22 imposed by the preceding subsection, there shall be imposed  
23 for each taxable year, on the self-employment income of  
24 every individual, a tax as follows:

25 "(1) in the case of any taxable year beginning  
26 after December 31, 1965, and before January 1, 1967,

Tax rates for self-employed for  
hospital insurance:

1966	0.35%
1967-72	0.50%
1973-75	0.55%
1976-79	0.60%
1980-86	0.70%
1987 and after	0.80%

1 the tax shall be equal to 0.35 percent of the amount of  
2 the self-employment income for such taxable year;

3 “(2) in the case of any taxable year beginning  
4 after December 31, 1966, and before January 1, 1973,  
5 the tax shall be equal to 0.50 percent of the amount of  
6 the self-employment income for such taxable year;

7 “(3) in the case of any taxable year beginning after  
8 December 31, 1972, and before January 1, 1976, the  
9 tax shall be equal to 0.55 percent of the amount of the  
10 self-employment income for such taxable year;

11 “(4) in the case of any taxable year beginning after  
12 December 31, 1975, and before January 1, 1980, the  
13 tax shall be equal to 0.60 percent of the amount of the  
14 self-employment income for such taxable year;

15 “(5) in the case of any taxable year beginning after  
16 December 31, 1979, and before January 1, 1987, the  
17 tax shall be equal to 0.70 percent of the amount of the  
18 self-employment income for such taxable year; and

19 “(6) in the case of any taxable year beginning after  
20 December 31, 1986, the tax shall be equal to 0.80 per-  
21 cent of the amount of the self-employment income for  
22 such taxable year.

23 For purposes of the tax imposed by this subsection, the ex-  
24 clusion of employee representatives by section 1402 (c) (3)  
25 shall not apply.”

26 (b) Section 3101 of the Internal Revenue Code of

1 1954 (relating to rate of tax on employees under the  
2 Federal Insurance Contributions Act) is amended to read as  
3 follows:

4 "SEC. 3101. RATE OF TAX.

5 "(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
6 ANCE.—In addition to other taxes, there is hereby imposed  
7 on the income of every individual a tax equal to the follow-  
8 ing percentages of the wages (as defined in section 3121  
9 (a)) received by him with respect to employment (as de-  
10 fined in section 3121(b)) —

11 "(1) with respect to wages received during the  
12 calendar years 1966, 1967, and 1968, the rate shall  
13 be 4.0 percent;

14 "(2) with respect to wages received during the  
15 calendar years 1969, 1970, 1971, and 1972, the rate  
16 shall be 4.4 percent; and

17 "(3) with respect to wages received after Decem-  
18 ber 31, 1972, the rate shall be 4.8 percent.

19 "(b) HOSPITAL INSURANCE.—In addition to the tax  
20 imposed by the preceding subsection, there is hereby imposed  
21 on the income of every individual a tax equal to the follow-  
22 ing percentages of the wages (as defined in section 3121  
23 (a)) received by him with respect to employment (as  
24 defined in section 3121(b)), but without regard to the pro-  
25 visions of paragraph (9) thereof insofar as it relates to  
26 employees) —

Tax rates for employees for  
OASDI:

1966-68	4.0%
1969-72	4.4%
1973 and after	4.8%

Under present law the tax rates  
are:

1965	3.625%
1966-67	4.125%
1968 and after	4.625%

Tax rates for employees for  
hospital insurance:

1966	0.35%
1967-72	0.50%
1973-75	0.55%
1976-79	0.60%
1980-86	0.70%
1986 and after	0.80%

1       “(1) with respect to wages received during the  
2       calendar year 1966, the rate shall be 0.35 percent;

3       “(2) with respect to wages received during the  
4       calendar years 1967, 1968, 1969, 1970, 1971, and  
5       1972, the rate shall be 0.50 percent;

6       “(3) with respect to wages received during the  
7       calendar years 1973, 1974, and 1975, the rate shall be  
8       0.55 percent;

9       “(4) with respect to wages received during the  
10      calendar years 1976, 1977, 1978, and 1979, the rate  
11      shall be 0.60 percent;

12      “(5) with respect to wages received during the  
13      calendar years 1980, 1981, 1982, 1983, 1984, 1985,  
14      and 1986, the rate shall be 0.70 percent; and

15      “(6) with respect to wages received after Decem-  
16      ber 31, 1986, the rate shall be 0.80 percent.”

17      (c) Section 3111 of the Internal Revenue Code of  
18      1954 (relating to rate of tax on employers under the Federal  
19      Insurance Contributions Act) is amended to read as follows:  
20      “SEC. 3111. RATE OF TAX.

21      “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
22      ANCE.—In addition to other taxes, there is hereby imposed  
23      on every employer an excise tax, with respect to having  
24      individuals in his employ, equal to the following percentages  
25      of the wages (as defined in section 3121 (a)) paid by him



1 with respect to employment (as defined in section 3121

2 (b) )—

3 “(1) with respect to wages paid during the calen-  
4 dar years 1966, 1967, and 1968, the rate shall be 4.0  
5 percent;

6 “(2) with respect to wages paid during the calen-  
7 dar years 1969, 1970, 1971, and 1972, the rate shall  
8 be 4.4 percent; and

9 “(3) with respect to wages paid after December 31,  
10 1972, the rate shall be 4.8 percent.

11 “(b) HOSPITAL INSURANCE.—In addition to the tax  
12 imposed by the preceding subsection, there is hereby  
13 imposed on every employer an excise tax, with respect to  
14 having individuals in his employ, equal to the following  
15 percentages of the wages (as defined in section 3121 (a) )  
16 paid by him with respect to employment (as defined in sec-  
17 tion 3121 (b) , but without regard to the provisions of para-  
18 graph (9) thereof insofar as it relates to employees)—

19 “(1) with respect to wages paid during the cal-  
20 endar year 1966, the rate shall be 0.35 percent;

21 “(2) with respect to wages paid during the cal-  
22 endar years 1967, 1968, 1969, 1970, 1971, and 1972,  
23 the rate shall be 0.50 percent;

24 “(3) with respect to wages paid during the cal-

Tax rates for employers for OASDI:

1966-68	4.0%
1969-72	4.4%
1973 and after	4.8%

Under present law the tax rates are:

1965	3.625%
1966-67	4.125%
1968 and after	4.625%

Tax rates for employers for hospital insurance:

1966	0.35%
1967-72	0.50%
1973-75	0.55%
1976-79	0.60%
1980-86	0.70%
1986 and after	0.80%

1       endar years 1973, 1974, and 1975, the rate shall be  
2       0.55 percent;

3       “ (4) with respect to wages paid during the calendar  
4       years 1976, 1977, 1978, and 1979, the rate shall be  
5       0.60 percent;

6       “ (5) with respect to wages paid during the cal-  
7       endar years 1980, 1981, 1982, 1983, 1984, 1985,  
8       and 1986, the rate shall be 0.70 percent;

9       “ (6) with respect to wages paid after December  
10      31, 1986, the rate shall be 0.80 percent.”

11      (d) The amendments made by subsection (a) shall  
12      apply only with respect to taxable years beginning after  
13      December 31, 1965. The amendments made by subsections  
14      (b) and (c) shall apply only with respect to remuneration  
15      paid after December 31, 1965.

16      REIMBURSEMENT OF TRUST FUNDS FOR COST OF NONCON-  
17      TRIBUTORY MILITARY SERVICE CREDITS

18      SEC. 322. Section 217 (g) of the Social Security Act is  
19      amended to read as follows:

20      “ (g) (1) In September 1965, and in every fifth Sep-  
21      tember thereafter up to and including September 2010, the  
22      Secretary shall determine the amount which, if paid in  
23      equal installments at the beginning of each fiscal year in  
24      the period beginning—

25      “ (A) with July 1, 1965, in the case of the first  
26      such determination, and

Secretary to determine amounts that  
would be sufficient to meet, over the  
period 7/1/65 to 7/1/2015, the cost  
of past and anticipated benefits  
based on noncontributory military  
service credits.

1           “(B) with the July 1 following the determination  
 2           in the case of all other such determinations,  
 3           and ending with the close of June 30, 2015, would accumu-  
 4           late, with interest compounded annually, to an amount  
 5           equal to the amount needed to place each of the Trust Funds  
 6           and the Federal Hospital Insurance Trust Fund in the same  
 7           position at the close of June 30, 2015, as he estimates they  
 8           would otherwise be in at the close of that date if section  
 9           210 of this Act as in effect prior to the Social Security Act  
 10          Amendments of 1950, and this section, had not been en-  
 11          acted. The rate of interest to be used in determining such  
 12          amount shall be the rate determined under section 201 (d)  
 13          for public-debt obligations which were or could have been  
 14          issued for purchase by the Trust Funds in the June preceding  
 15          the September in which such determination is made.

16          “(2) There are authorized to be appropriated to the  
 17          Trust Funds and the Federal Hospital Insurance Trust  
 18          Fund—

19               “(A) for the fiscal year ending June 30, 1966,  
 20               an amount equal to the amount determined under para-  
 21               graph (1) in September 1965, and

22               “(B) for each fiscal year in the period beginning  
 23               with July 1, 1966, and ending with the close of June 30,  
 24               2015, an amount equal to the annual installment for  
 25               such fiscal year under the most recent determination  
 26               under paragraph (1) which precedes such fiscal year.

Authorizes an appropriation to  
 the Trust Funds of the amounts  
 determined in (1) above.

Provides for any necessary adjustment in F.Y. 2016 to put the Trust Funds in the same position as of 7/1/2015 as they would have been in if no benefits based on noncontributory military service had been paid.

Authorizes annual appropriations after June 2015 to Trust Funds of amounts needed to meet the cost of benefits based on noncontributory military service paid after June 2015.

1       “(3) For the fiscal year ending June 30, 2016, there  
2 is authorized to be appropriated to the Trust Funds and  
3 the Federal Hospital Insurance Trust Fund such sums as  
4 the Secretary determines would place the Trust Funds and  
5 the Federal Hospital Insurance Trust Fund in the same  
6 position in which they would have been at the close of  
7 June 30, 2015, if section 210 of this Act as in effect  
8 prior to the Social Security Act Amendments of 1950, and  
9 this section, had not been enacted.

10       “(4) There are authorized to be appropriated to the  
11 Trust Funds and the Federal Hospital Insurance Trust Fund  
12 annually, as benefits under this title and part A of title  
13 XVIII are paid after June 30, 2015, such sums as the Sec-  
14 retary determines to be necessary to meet the additional  
15 costs, resulting from subsections (a), (b), and (e), of such  
16 benefits (including lump-sum death payments).”

17               ADOPTION OF CHILD BY RETIRED WORKER

18       SEC. 323. (a) Section 202(d) of the Social Security  
19 Act is amended—

20               (1) by striking out the last sentence in paragraph  
21 (1), and

22               (2) by adding at the end thereof (after the new  
23 paragraphs added by section 306 of this Act) the fol-  
24 lowing new paragraphs:

25       “(9) In the case of—



1           “(A) an individual entitled to disability insurance  
2       benefits, or

Restates provisions of present law on child adopted by disabled worker for purposes of child's insurance benefits.

3           “(B) an individual entitled to old-age insurance  
4       benefits who was entitled to disability insurance benefits  
5       for the month preceding the first month for which he  
6       was entitled to old-age insurance benefits,

7       clauses (i) and (iii) of paragraph (1) (C) shall not apply  
8       to a child of such individual unless such child—

9           “(C) is the natural child or stepchild of such in-  
10       dividual (including such a child who was legally adopted  
11       by such individual), or

12          “(D) was legally adopted by such individual be-  
13       fore the end of the 24-month period beginning with  
14       the month after the month in which such individual  
15       most recently became entitled to disability insurance  
16       benefits, but only if—

17           “(i) proceedings for such adoption of the child  
18       had been instituted by such individual in or before  
19       the month in which began the period of disability  
20       of such individual which still exists at the time of  
21       such adoption, or

22           “(ii) such adopted child was living with such  
23       individual in such month.

24          “(10) In the case of an individual entitled to old-age  
25       insurance benefits (but not an individual included under

Child adopted by retired worker can get benefits if (1) at the time the worker became entitled to benefits the child was living with the worker or adoption proceedings had begun; (2) the adoption was completed within two years of the time when the worker became entitled to benefits; and (3) the child had been receiving at least one-half of his support from the worker for the entire year before the worker became entitled to old-age insurance benefits or, if the worker had a period of disability which continued until he became entitled to old-age insurance benefits, before the beginning of the period of disability.

1 paragraph (9)), clauses (i) and (iii) of paragraph (1)  
 2 (C) shall not apply to a child of such individual unless such  
 3 child—

4 “(A) is the natural child or stepchild of such in-  
 5 dividual (including such a child who was legally adopted  
 6 by such individual), or

7 “(B) was legally adopted by such individual be-  
 8 fore the end of the 24-month period beginning with  
 9 the month after the month in which such individual  
 10 became entitled to old-age insurance benefits, but only  
 11 if—

12 “(i) such child had been receiving at least  
 13 one-half of his support from such individual for  
 14 the year before such individual filed his application  
 15 for old-age insurance benefits or, if such individual  
 16 had a period of disability which continued until he  
 17 had become entitled to old-age insurance benefits, for  
 18 the year before such period of disability began, and

19 “(ii) either proceedings for such adoption of  
 20 the child had been instituted by such individual in  
 21 or before the month in which the individual filed his  
 22 application for old-age insurance benefits or such  
 23 adopted child was living with such individual in such  
 24 month.”

25 (b) The amendments made by subsection (a) of this  
 26 section shall be applicable to persons who file applications, or

1 on whose behalf applications are filed, for benefits under sec-  
 2 tion 202 (d) of the Social Security Act on or after the date  
 3 this section is enacted. The time limit provided by section  
 4 202 (d) (10) (B) of such Act as amended by this section for  
 5 legally adopting a child shall not apply in the case of any  
 6 child who is adopted before the end of the 12-month period  
 7 following the month in which this section is enacted.

Effective with respect to applications filed on or after date of enactment, except that 2-year time limit on adoptions by retired worker (section 202(d)(10)(B)) would not apply in the case of adoptions completed within 1 year after month of enactment.

8 EXTENSION OF PERIOD FOR FILING PROOF OF SUPPORT  
 9 AND APPLICATIONS FOR LUMP-SUM DEATH PAYMENT

10 SEC. 324. (a) Section 202 (p) of the Social Security  
 11 Act is amended to read as follows:

12 "Extension of Period for Filing Proof of Support and  
 13 Applications for Lump-Sum Death Payment

14 "(p) In any case in which there is a failure—

15 "(1) to file proof of support under subparagraph  
 16 (C) of subsection (c) (1), clause (i) or (ii) of sub-  
 17 paragraph (D) of subsection (f) (1), or subparagraph  
 18 (B) of subsection (h) (1), or under clause (B) of  
 19 subsection (f) (1) of this section as in effect prior to  
 20 the Social Security Act Amendments of 1950, within  
 21 the period prescribed by such subparagraph or clause, or

22 "(2) to file, in the case of a death after 1946,  
 23 application for a lump-sum death payment under sub-  
 24 section (i), or under subsection (g) of this section as  
 25 in effect prior to the Social Security Act Amendments  
 26 of 1950, within the period prescribed by such subsection,

Removes the 2-year limit on the additional period in which proof of dependency or an application for the lump-sum death payment may be filed when there is good cause for failure to file the proof or application within the initial 2-year period.

1 any such proof or application, as the case may be, which is  
 2 filed after the expiration of such period shall be deemed to  
 3 have been filed within such period if it is shown to the satis-  
 4 faction of the Secretary that there was good cause for failure  
 5 to file such proof or application within such period. The  
 6 determination of what constitutes good cause for purposes  
 7 of this subsection shall be made in accordance with regula-  
 8 tions of the Secretary."

Benefits payable based on  
 applications filed in or  
 after the month of enactment.

9 (b) The amendments made by this section shall be  
 10 effective with respect to (1) applications for lump-sum death  
 11 payments filed in or after the month in which this Act is  
 12 enacted, and (2) monthly benefits based on applications  
 13 filed in or after such month.

#### 14 TREATMENT OF CERTAIN ROYALTIES FOR RETIREMENT

#### 15 TEST PURPOSES

16 SEC. 325. (a) (1) Subparagraph (B) of section 203  
 17 (f) (5) of the Social Security Act is amended to read as  
 18 follows:

19 "(B) For purposes of this section—

For retirement test, net earnings  
 and net loss from self-employment  
 shall not include certain royal-  
 ties. (See section 325(a)(2),  
 below.)

20 "(i) an individual's net earnings from self-  
 21 employment for any taxable year shall be deter-  
 22 mined as provided in section 211, except that  
 23 paragraphs (1), (4), and (5) of section 211 (c)  
 24 shall not apply and the gross income shall be com-  
 25 puted by excluding the amounts provided by sub-  
 26 paragraph (D), and



1           “(ii) an individual’s net loss from self-employ-  
 2           ment for any taxable year is the excess of the de-  
 3           ductions (plus his distributive share of loss described  
 4           in section 702 (a) (9) of the Internal Revenue  
 5           Code of 1954) taken into account under clause (i)  
 6           over the gross income (plus his distributive share  
 7           of income so described) taken into account under  
 8           clause (i).”

9           (2) Such section 203 (f) (5) is further amended by  
 10          adding at the end thereof the following new subparagraph:

11          “(D) In the case of an individual—

12           “(i) who has attained the age of 65 on or be-  
 13           fore the last day of the taxable year, and

14           “(ii) who shows to the satisfaction of the Sec-  
 15           retary that he is receiving royalties attributable to  
 16           a copyright or patent obtained before the taxable

17           year in which he attained the age of 65 and that  
 18           the property to which the copyright or patent re-  
 19           lates was created by his own personal efforts,

20          there shall be excluded from gross income any such  
 21          royalties.”

Excludes from gross income of a bene-  
 ficiary who has attained age 65, for  
 retirement test, royalties received  
 in or after year of attaining age 65  
 from a copyright or patent obtained  
 before that year.

22          (b) The amendments made by subsection (a) shall  
 23          apply with respect to the computation of net earnings from  
 24          self-employment and the net loss from self-employment for  
 25          taxable years beginning after 1964.

Effective for taxable years beginning  
 after 1964.

Amends section 1(q) of the RR Act to provide that references to the SS Act in the RR Act will be considered to be references to the SS Act as amended in 1965, so that the present RR-OASDI coordination will continue to operate in all ways with respect to the SS Act as amended by the bill.

Increases the amount of SS earnings that may be credited under the survivors provisions of the RR program to such an amount as to cause the combined total earnings to be as much as the new wage and tax base under social security--\$5,600 a year for 1966 through 1970, and \$6,600 a year after 1970.

Requires Board of Trustees to meet at least once a year rather than every 6 months.

Revises basic formula for old-age assistance to provide

1 AMENDMENTS PRESERVING RELATIONSHIP BETWEEN RAIL-  
2 ROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DIS-  
3 ABILITY INSURANCE SYSTEMS

4 SEC. 326. (a) Section 1(q) of the Railroad Retire-  
5 ment Act of 1937 is amended by striking out "1961" and  
6 inserting in lieu thereof "1965".

7 (b) Section 5(1) (9) of such Act is amended by strik-  
8 ing out "after 1958 is less than \$4,800" and inserting in lieu  
9 thereof the following: "after 1958 and before 1966 is less  
10 than \$4,800, or for any calendar year after 1965 and be-  
11 fore 1971 is less than \$5,600, or for any calendar year  
12 after 1970 is less than \$6,600"; and by striking out "and  
13 \$4,800 for years after 1958", and inserting in lieu thereof  
14 the following: "\$4,800 for years after 1958 and before  
15 1966, \$5,600 for years after 1965 and before 1971, and  
16 \$6,600 for years after 1970".

17 TECHNICAL AMENDMENT RELATING TO MEETINGS OF BOARD  
18 OF TRUSTEES OF THE OLD-AGE, SURVIVORS, AND DIS-  
19 ABILITY INSURANCE TRUST FUNDS

20 SEC. 327. Section 201(c) of the Social Security Act  
21 is amended by striking out "six months" in the fourth sen-  
22 tence and inserting in lieu thereof "calendar year".

23 TITLE IV—PUBLIC ASSISTANCE AMENDMENTS  
24 INCREASED FEDERAL PAYMENTS UNDER PUBLIC ASSIST-  
25 ANCE TITLES OF THE SOCIAL SECURITY ACT

26 SEC. 401. (a) Section 3(a) (1) of the Social Security  
27 Act is amended (1) by striking out, in so much thereof as

Federal share of \$31 out of first \$37 (now \$29 out of first \$35) up to a maximum of \$75 (now \$70) per recipient per month (with the provision for additional Federal sharing in vendor medical payments up to \$15 per recipient changed to reflect revision in basic formula).

1 precedes clause (A), "during such quarter" and inserting in  
2 lieu thereof "during each month of such quarter"; (2) by  
3 striking out, in clause (A), "29/35", "any month", and  
4 "\$35" and inserting in lieu thereof "31/37", "such month",  
5 and "\$37", respectively; and (3) by striking out clauses  
6 (B) and (C) and inserting in lieu thereof the following:

7 " (B) the larger of the following:

8 " (i) (I) the Federal percentage (as defined  
9 in section 1101 (a) (8) ) of the amount by which  
10 such expenditures exceed the amount which may be  
11 counted under clause (A), not counting so much of  
12 such excess with respect to such month as exceeds  
13 the product of \$38 multiplied by the total number  
14 of recipients of old-age assistance for such month,  
15 plus (II) 15 per centum of the total expended dur-  
16 ing such month as old-age assistance under the State  
17 plan in the form of medical or any other type of  
18 remedial care, not counting so much of such ex-  
19 penditure with respect to such month as exceeds the  
20 product of \$15 multiplied by the total number of  
21 recipients of old-age assistance for such month, or

22 " (ii) (I) the Federal medical percentage (as  
23 defined in section 6 (c) ) of the amount by which  
24 such expenditures exceed the maximum which may  
25 be counted under clause (A), not counting so much  
26 of any expenditures with respect to such month as  
27 exceeds (a) the product of \$52 multiplied by the

1 total number of such recipients of old-age assistance  
 2 for such month, or (b) if smaller, the total ex-  
 3 pended as old-age assistance in the form of medical  
 4 or any other type of remedial care with respect to  
 5 such month plus the product of \$37 multiplied by  
 6 such total number of such recipients, plus (II) the  
 7 Federal percentage of the amount by which the  
 8 total expended during such month as old-age as-  
 9 sistance under the State plan exceeds the amount  
 10 which may be counted under clause (A) and the  
 11 preceding provisions of this clause (B) (ii), not  
 12 counting so much of such excess with respect to such  
 13 month as exceeds the product of \$38 multiplied by  
 14 the total number of such recipients of old-age as-  
 15 sistance for such month;”.

Revises basic formula for com-  
 bined program of aid to aged,  
 blind or disabled to provide  
 Federal share of \$31 out of  
 first \$37 (now \$29 out of  
 first \$35) up to a maximum of  
 \$75 (now \$70) per recipient  
 per month (with changes in  
 provision for additional Fed-  
 eral sharing in vendor medical  
 payments up to \$15 per recipi-  
 ent to reflect above revision).

16 (b) Section 1603 (a) (1) of such Act is amended (1)  
 17 by striking out, in so much thereof as precedes clause (A),  
 18 “during such quarter” and inserting in lieu thereof “during  
 19 each month of such quarter”; (2) by striking out, in clause  
 20 (A), “29/35”, “any month”, and “\$35” and inserting in  
 21 lieu thereof “31/37”, “such month”, and “\$37”, respec-  
 22 tively; and (3) by striking out clauses (B) and (C) and  
 23 inserting in lieu thereof the following:

24 “(B) the larger of the following:

25 “(i) (I) the Federal percentage (as defined  
 26 in section 1101 (a) (8)) of the amount by which



1 such expenditures exceed the amount which may be  
2 counted under clause (A), not counting so much  
3 of such excess with respect to such month as ex-  
4 ceeds the product of \$38 multiplied by the total  
5 number of recipients of aid to the aged, blind, or  
6 disabled for such month, plus (II) 15 per centum  
7 of the total expended during such month as aid to  
8 the aged, blind, or disabled under the State plan in  
9 the form of medical or any other type of remedial  
10 care, not counting so much of such expenditure with  
11 respect to such month as exceeds the product of \$15  
12 multiplied by the total number of recipients of aid to  
13 the aged, blind, or disabled for such month, or

14 “(ii) (I) the Federal medical percentage (as  
15 defined in section 6(c)) of the amount by which  
16 such expenditures exceed the maximum which may  
17 be counted under clause (A), not counting so much  
18 of any expenditures with respect to such month as  
19 exceeds (a) the product of \$52 multiplied by the  
20 total number of such recipients of aid to the aged,  
21 blind, or disabled for such month, or (b) if smaller,  
22 the total expended as aid to the aged, blind, or dis-  
23 abled in the form of medical or any other type of  
24 remedial care with respect to such month plus the  
25 product of \$37 multiplied by such total number  
26 of such recipients, plus (II) the Federal percentage

1 of the amount by which the total expended during  
 2 such month as aid to the aged, blind, or disabled  
 3 under the State plan exceeds the amount which  
 4 may be counted under clause (A) and the preced-  
 5 ing provisions of this clause (B) (ii), not counting  
 6 so much of such excess with respect to such month  
 7 as exceeds the product of \$38 multiplied by the  
 8 total number of such recipients of aid to the aged,  
 9 blind, or disabled for such month;”.

For aid to families with de-  
 pendent children provides Fed-  
 eral share of \$15 out of first  
 \$18 (now \$14 of first \$17) up  
 to maximum of \$32 (now \$30) per  
 recipient per month.

10 (c) Section 403 (a) (1) of such Act is amended (1) by  
 11 striking out “fourteen-sevenths” and “\$17” in clause  
 12 (A) and inserting in lieu thereof “five-sixths” and “\$18”,  
 13 respectively; and (2) by striking out “\$30” in clause (B)  
 14 and inserting in lieu thereof “\$32”.

For aid to blind, provides  
 Federal share of \$31 out of  
 first \$37 (now \$29 of first  
 \$35) up to maximum of \$75 (now  
 \$70) per recipient per month.

15 (d) Section 1003 (a) (1) of such Act is amended (1)  
 16 by striking out, in clause (A), “29/35” and “\$35” and  
 17 inserting in lieu thereof “31/37” and “\$37”, respectively;  
 18 and (2) by striking out, in clause (B), “\$70” and insert-  
 19 ing in lieu thereof “\$75”.

For aid to disabled, provides  
 \$31 out of first \$37 (now \$29  
 out of first \$35) up to maxi-  
 mum of \$75 (now \$70) per recip-  
 ient per month.

20 (e) Section 1403 (a) (1) of such Act is amended (1)  
 21 by striking out, in clause (A), “29/35” and “\$35” and  
 22 inserting in lieu thereof “31/37” and “\$37”, respectively;  
 23 and (2) by striking out, in clause (B), “\$70” and inserting  
 24 in lieu thereof “\$75”.

25 (f) The amendments made by this section shall apply  
 26 in the case of expenditures made after December 31, 1965,

1 under a State plan approved under title I, IV, X, XIV. or  
2 XVI of the Social Security Act.

3 PROTECTIVE PAYMENTS

4 SEC. 402. (a) Section 6 (a) of the Social Security Act  
5 (as amended by section 221 of this Act) is amended by add  
6 ing at the end thereof the following new sentence: "Such  
7 term also includes payments which are not included within  
8 the meaning of such term under the preceding sentence, but  
9 which would be so included except that they are made on  
10 behalf of such a needy individual to another individual who  
11 (as determined in accordance with standards prescribed by  
12 the Secretary) is interested in or concerned with the welfare  
13 of such needy individual, but only with respect to a State  
14 whose State plan approved under section 2 includes provi-  
15 sion for—

16 "(1) determination by the State agency that such  
17 needy individual has, by reason of his physical or  
18 mental condition, such inability to manage funds that  
19 making payments to him would be contrary to his wel-  
20 fare and, therefore, it is necessary to provide such  
21 assistance through payments described in this sentence;

22 "(2) making such payments only in cases in which  
23 such payments will, under the rules otherwise applicable  
24 under the State plan for determining need and the  
25 amount of old-age assistance to be paid (and in con-  
26 junction with other income and resources), meet all the

Permits Federal sharing in protective payments--i.e., to another person concerned with welfare of aged person--when State plan for old-age assistance provides for:

Determination of inability of individual to manage funds because of physical or mental condition;

Meeting all the need of the aged person;

Self-care and other services  
to strengthen ability of indi-  
vidual to manage;

Periodic review of continuing  
need for making protective  
payment; and

Opportunity for fair hearing.

Permits Federal sharing in pro-  
tective payments--i.e., to  
another person concerned with  
welfare of individual when  
State plans for aid to aged,  
blind or disabled meet certain  
requirements.

1 need of the individuals with respect to whom such pay-  
2 ments are made;

3 “(3) undertaking and continuing special efforts to  
4 protect the welfare of such individual and to improve,  
5 to the extent possible, his capacity for self-care and to  
6 manage funds;

7 “(4) periodic review by such State agency of the  
8 determination under paragraph (1) to ascertain whether  
9 conditions justifying such determination still exist, with  
10 provision for termination of such payments if they do not  
11 and for seeking judicial appointment of a guardian or  
12 other legal representative, as described in section 1111,  
13 if and when it appears that such action will best serve  
14 the interests of such needy individual; and

15 “(5) opportunity for a fair hearing before the State  
16 agency on the determination referred to in paragraph  
17 (1) for any individual with respect to whom it is made.”

18 (b) Section 1605 (a) of such Act (as amended by sec-  
19 tion 221 of this Act) is amended by adding at the end  
20 thereof (after and below paragraph (2) ) the following new  
21 sentence:

22 “Such term also includes payments which are not included  
23 within the meaning of such term under the preceding sen-  
24 tence, but which would be so included except that they are  
25 made on behalf of such a needy individual to another in-



1 dividual who (as determined in accordance with standards  
2 prescribed by the Secretary) is interested in or concerned  
3 with the welfare of such needy individual, but only with re-  
4 spect to a State whose State plan approved under section  
5 1602 includes provision for—

6 “(A) determination by the State agency that such  
7 needy individual has, by reason of his physical or mental  
8 condition, such inability to manage funds that making  
9 payments to him would be contrary to his welfare and,  
10 therefore, it is necessary to provide such aid through  
11 payments described in this sentence;

12 “(B) making such payments only in cases in which  
13 such payments will, under the rules otherwise applicable  
14 under the State plan for determining need and the  
15 amount of aid to the aged, blind, or disabled to be paid  
16 (and in conjunction with other income and resources),  
17 meet all the need of the individuals with respect to  
18 whom such payments are made;

19 “(C) undertaking and continuing special efforts to  
20 protect the welfare of such individual and to improve,  
21 to the extent possible, his capacity for self-care and to  
22 manage funds;

23 “(D) periodic review by such State agency of the  
24 determination under clause (A) to ascertain whether

1 conditions justifying such determination still exist, with  
 2 provision for termination of such payments if they do not  
 3 and for seeking judicial appointment of a guardian or  
 4 other legal representative, as described in section 1111,  
 5 if and when it appears that such action will best serve  
 6 the interests of such needy individual; and

7 “(E) opportunity for a fair hearing before the State  
 8 agency on the determination referred to in clause (A)  
 9 for any individual with respect to whom it is made.”

10 (c) The amendments made by this section shall apply  
 11 in the case of expenditures made after December 31, 1965,  
 12 under a State plan approved under title I or XVI of the  
 13 Social Security Act.

14 DISREGARDING CERTAIN EARNINGS IN DETERMINING NEED

15 UNDER ASSISTANCE PROGRAMS FOR THE AGED

16 SEC. 403. (a) Effective January 1, 1966, section 2  
 17 (a) (10) (A) of the Social Security Act is amended by  
 18 striking out “; except that, in making such determination,  
 19 of the first \$50 per month of earned income the State agency  
 20 may disregard, after December 31, 1962, not more than  
 21 the first \$10 thereof plus one-half of the remainder” and  
 22 inserting in lieu thereof the following: “; except that, in  
 23 making such determination, of the first \$80 per month of  
 24 earned income the State agency may disregard not more  
 25 than the first \$20 thereof plus one-half of the remainder”.  
 26 (b) Effective January 1, 1966, section 1602 (a) (14)

Increases amount of earned  
 income that a State may disre-  
 gard in determining need for  
 old-age assistance to the first  
 \$20 (now \$10) and one-half of  
 the next \$60 (now \$40) per  
 month.

1 of such Act is amended by striking out "of the first \$50 per  
 2 month of earned income the State agency may, after Decem-  
 3 ber 31, 1962, disregard not more than the first \$10 thereof  
 4 plus one-half of the remainder" and inserting in lieu thereof  
 5 the following: "of the first \$80 per month of earned income  
 6 the State agency may disregard not more than the first \$20  
 7 thereof plus one-half of the remainder".

8 ADMINISTRATIVE AND JUDICIAL REVIEW OF PUBLIC  
 9 ASSISTANCE DETERMINATIONS

10 SEC. 404. (a) Title XI of the Social Security Act is  
 11 amended by adding at the end thereof the following new  
 12 section:

13 "ADMINISTRATIVE AND JUDICIAL REVIEW OF CERTAIN  
 14 ADMINISTRATIVE DETERMINATIONS

15 "SEC. 1116. (a) (1) Whenever a State plan is sub-  
 16 mitted to the Secretary by a State for approval under title I,  
 17 IV, X, XIV, XVI, or XIX, he shall, not later than 90 days  
 18 after the date the plan is submitted to him, make a deter-  
 19 mination as to whether it conforms to the requirements for  
 20 approval under such title. The 90-day period provided  
 21 herein may be extended by written agreement of the Secre-  
 22 tary and the affected State.

23 "(2) Any State dissatisfied with a determination of the  
 24 Secretary under paragraph (1) with respect to any plan  
 25 may, within 60 days after it has been notified of such deter-  
 26 mination, file a petition with the Secretary for reconsidera-

Same change as above for aged recipients of aid under combined program of aid to aged, blind or disabled.

Provides procedures for administrative and judicial review of determinations made by the Secretary with respect to new State plans or amendments to State plans under titles I, IV, X, XIV, XVI and XIX.

1 tion of the issue of whether such plan conforms to the  
2 requirements for approval under such title. Upon receipt of  
3 such a petition, the Secretary shall notify the State of the  
4 time and place at which a hearing will be held for the pur-  
5 pose of reconsidering such issue. Such hearing shall be held  
6 not less than 20 days nor more than 60 days after the date  
7 notice of such hearing is furnished to such State, unless the  
8 Secretary and such State agree in writing to holding the  
9 hearing at another time. The Secretary shall affirm, modify,  
10 or reverse his original determination within 60 days of the  
11 conclusion of the hearing.

12 “(3) Any State which is dissatisfied with a final deter-  
13 mination made by the Secretary on such a reconsideration or  
14 a final determination of the Secretary under section 4, 404,  
15 1004, 1404, 1604, or 1904 may, within 60 days after notice  
16 of such determination, file with the United States court of  
17 appeals for the circuit in which such State is located a peti-  
18 tion for review of such determination. A copy of the peti-  
19 tion shall be forthwith transmitted by the clerk of the court  
20 to the Secretary. The Secretary thereupon shall file in the  
21 court the record of the proceedings on which he based his  
22 determination as provided in section 2112 of title 28, United  
23 States Code.

24 “(4) The findings of fact by the Secretary, unless sub-  
25 stantially contrary to the weight of the evidence, shall be  
26 conclusive; but the court, for good cause shown, may remand



1 the case to the Secretary to take further evidence, and the  
2 Secretary may thereupon make new or modified findings of  
3 fact and may modify his previous action, and shall certify  
4 to the court the transcript and record of the further proceed-  
5 ings. Such new or modified findings of fact shall likewise  
6 be conclusive unless substantially contrary to the weight of  
7 the evidence.

8 “(5) The court shall have jurisdiction to affirm the  
9 action of the Secretary or to set it aside, in whole or in part.  
10 The judgment of the court shall be subject to review by  
11 the Supreme Court of the United States upon certiorari or  
12 certification as provided in section 1254 of title 28, United  
13 States Code.

14 “(b) For the purposes of subsection (a), any amend-  
15 ment of a State plan approved under title I, IV, X, XIV,  
16 XVI, or XIX may, at the option of the State, be treated  
17 as the submission of a new State plan.

18 “(c) Action pursuant to an initial determination of the  
19 Secretary described in subsection (a) or (b) shall not be  
20 stayed pending reconsideration, but in the event that the  
21 Secretary subsequently determines that his initial determi-  
22 nation was incorrect he shall certify restitution forthwith in  
23 a lump sum of any funds incorrectly withheld or otherwise  
24 denied.

25 “(d) Whenever the Secretary determines that any item

1 or class of items on account of which Federal financial partici-  
 2 pation is claimed under title I, IV, X, XIV, XVI, or XIX  
 3 shall be disallowed for such participation, the State shall be  
 4 entitled to and upon request shall receive a reconsideration  
 5 of the disallowance."

6 (b) The amendment made by subsection (a) shall  
 7 apply only with respect to determinations made after  
 8 December 31, 1965.

9 MAINTENANCE OF STATE PUBLIC ASSISTANCE  
 10 EXPENDITURES

11 SEC. 405. Title XI of the Social Security Act is  
 12 amended by adding at the end thereof (after the new sec-  
 13 tion 1116 added by section 404 of this Act) the following  
 14 new section:

15 "MAINTENANCE OF STATE EFFORT

16 "SEC. 1117. (a) The total of the amounts determined  
 17 under sections 3, 403, 1003, 1403, 1603, and 1903 for  
 18 any State for any quarter beginning after December 31,  
 19 1965, and ending before July 1, 1969, shall be reduced  
 20 to the extent that—

21 "(1) the excess of (A) the total of the amounts  
 22 determined for the State under sections 3, 403, 1003,  
 23 1403, 1603, and 1903 for such quarter over (B) the  
 24 total of the amounts determined for the State under sec-  
 25 tions 3, 403, 1003, 1403, and 1603 for the same quarter  
 26 of the fiscal year ending June 30, 1965, is greater than

Makes increase in Federal  
 share of State expenditures  
 available only to extent that  
 State expenditures are  
 increased over base period.

“ (2) the excess of (A) the total of the expenditures for such quarter (for which the determination is being made) under the plans of the State approved under titles I, IV, X, XIV, XVI, and XIX over (B) the total of the expenditures under the State plans of the State approved under titles I, IV, X, XIV, and XVI for the same quarter of the fiscal year ending June 30, 1965;

except that, at the option of the State, any of the following may be substituted (with respect to the quarters of any fiscal year) for the amount determined as provided in paragraph (1) (B) —

“(3) the total of the amounts determined for the State under sections 3, 403, 1003, 1403, and 1603 for the same quarter in the fiscal year ending June 30, 1964; or

“(4) the average of the totals determined for the State under sections 3, 403, 1003, 1403, and 1603 for each quarter in the fiscal year ending June 30, 1964, or June 30, 1965.

If the substitution of the total referred to in paragraph (3) is chosen by the State, there shall be substituted for the amount determined under clause (B) of paragraph (2) the total of the expenditures under the plans of the State approved under titles I, IV, X, XIV, and XVI for the

1 quarter referred to in such paragraph (3). If the substi-  
2 tution of the average for either of the years referred to in par-  
3 agraph (4) is chosen by the State, there shall be substituted  
4 for the amount determined under clause (B) of paragraph  
5 (2) the average of the total expenditures under the plans  
6 of the State approved under titles I, IV, X, XIV, and XVI  
7 for each quarter in the same fiscal year.

8 “(b) For purposes of this section, expenditures under  
9 the plans of any State approved under titles I, IV, X,  
10 XIV, XVI, and XIX and the reduction determined with  
11 respect thereto under this section, shall be determined on  
12 the basis of data furnished by the State in the quarterly  
13 reports submitted by the State to the Secretary pursuant to  
14 and in accordance with the requirements of the Secretary  
15 under title I, IV, X, XIV, XVI, or XIX; and determina-  
16 tions so made shall be conclusive for purposes of this section.

17 “(c) If a reduction is required under the preceding  
18 provisions of this section in the total of the amounts deter-  
19 mined for a State under sections 3, 403, 1003, 1403, 1603,  
20 and 1903 for any quarter, the Secretary shall determine  
21 which of such amounts shall be reduced and the extent  
22 thereof in such manner as in his judgment will best carry  
23 out the purpose of maintaining State effort under the Federal-  
24 State public assistance programs of the State, and with the



1 total of such reductions to be equal to the reduction required  
2 under subsections (a) and (b) of this section."

3 DISREGARDING OASDI BENEFIT INCREASE, AND CHILD'S  
4 INSURANCE BENEFIT PAYMENTS BEYOND AGE 18, TO  
5 THE EXTENT ATTRIBUTABLE TO RETROACTIVE EFFEC-  
6 TIVE DATE

7 SEC. 406. Notwithstanding the provisions of sections  
8 2 (a) (10), 402 (a) (7), 1002 (a) (8), 1402 (a) (8), and  
9 1602 (a) (14) of the Social Security Act, a State may disre-  
10 gard, in determining need for aid or assistance under a State  
11 plan approved under title I, IV, X, XIV, or XVI of such  
12 Act, any amount paid to any individual under title II of such  
13 Act, for months prior to the month in which payment of  
14 such amount is received, to the extent that such payment is  
15 attributable—

16 (1) to the increase in monthly insurance benefits  
17 under the old-age, survivors, and disability insurance  
18 system resulting from the enactment of section 301 of  
19 this Act, or

20 (2) to the payment of child's insurance benefits  
21 under such system after attainment of age 18, in the  
22 case of individuals attending school, resulting from the  
23 enactment of section 306 of this Act.

Permits State in determining need of aged, blind or disabled, or dependent children to disregard OASDI benefit increase and child's insurance benefits beyond age 18 paid retroactively to effective date.

1 EXTENSION OF GRACE PERIOD FOR DISREGARDING CERTAIN  
 2 INCOME FOR STATES WHERE LEGISLATURE HAS NOT  
 3 MET IN REGULAR SESSION

Time extended to States that have not had regular legislative session since August 20, 1964 to meet requirements of Economic Opportunity Act under public assistance titles.

4 SEC. 407. Notwithstanding the provisions of section  
 5 701 of the Economic Opportunity Act of 1964, no funds to  
 6 which a State is otherwise entitled under title I, IV, X,  
 7 XIV, XVI, or XIX of the Social Security Act for any pe-  
 8 riod before the first month beginning after the adjournment  
 9 of a State's first regular legislative session which adjourns  
 10 after August 20, 1964 (the date of enactment of the Eco-  
 11 nomic Opportunity Act of 1964), shall be withheld by reason  
 12 of any action taken pursuant to a State statute which prevents  
 13 such State from complying with the requirements of subsec-  
 14 tion (a) of such section 701.

15 TECHNICAL AMENDMENTS TO ELIMINATE PUBLIC ASSIST-  
 16 ANCE PROVISIONS WHICH BECOME OBSOLETE IN 1967

17 SEC. 408. (a) Except as provided in subsection (i) (2),  
 18 the amendments made by this section shall become effective  
 19 July 1, 1967.

20 (b) (1) The heading of title I of the Social Security  
 21 Act is amended by striking out "AND MEDICAL AS-  
 22 SISTANCE FOR THE AGED".

23 (2) The first sentence of section 1 of such Act is  
 24 amended to read as follows: "For the purpose (a) of ena-  
 25 bling each State, as far as practicable under the conditions in  
 26 such State, to furnish financial assistance to aged needy indi-

viduals, and (b) of encouraging each State, as far as practicable under the conditions in such State, to furnish rehabilitation and other services to help such individuals to attain or retain capability for self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title."

(3) The second sentence of section 1 of such Act is amended by striking out " , or for medical assistance for the aged, or for old-age assistance and medical assistance for the aged".

(4) The heading of section 2 of such Act is amended by striking out "AND MEDICAL".

(5) So much of section 2 (a) of such Act as precedes paragraph (1) is amended by striking out " , or for medical assistance for the aged, or for old-age assistance and medical assistance for the aged".

(6) Section 2 (a) (9) of such Act is amended by striking out "assistance for or on behalf of" and inserting in lieu thereof "assistance to".

(7) Section 2 (a) of such Act is further amended by striking out paragraphs (10) and (11) and inserting in lieu thereof the following:

"(10) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming such assistance, as well as any expenses reasonably attributable to

1 the earning of any such income; except that, in mak-  
 2 ing such determination, of the first \$80 per month of  
 3 earned income the State agency may disregard not more  
 4 than the first \$20 thereof plus one-half of the remainder;

5 “(11) include reasonable standards, consistent with  
 6 the objectives of this title, for determining eligibility  
 7 for and the extent of assistance under the plan;

8 “(12) provide a description of the services (if any)  
 9 which the State agency makes available to applicants  
 10 for and recipients of assistance under the plan to help  
 11 them attain self-care, including a description of the steps  
 12 taken to assure, in the provision of such services, maxi-  
 13 mum utilization of other agencies providing similar or  
 14 related services;”.

15 (8) Section 2 (a) of such Act is further amended by  
 16 redesignating paragraphs (12) and (13) as paragraphs  
 17 (13) and (14), respectively; and—

18 (A) the paragraph so redesignated as paragraph  
 19 (13) is amended—

20 (i) by striking out “or in behalf of” in the  
 21 matter preceding clause (A), and

22 (ii) by striking out “section 3 (a) (4) (A)  
 23 (i) and (ii)” in clause (C) and inserting in lieu  
 24 thereof “section 3 (a) (3) (A) (i) and (ii)”; and

25 (B) the paragraph so redesignated as paragraph  
 26 (14) is amended by striking out “or in behalf of”.



1       (9) Section 2 (b) (2) of such Act is amended by strik-  
2 ing out "(A) in the case of applicants for old-age assist-  
3 ance", and by striking out ", and (B) in the case of appli-  
4 cants for medical assistance for the aged, excludes any indi-  
5 vidual who resides in the State".

6       (10) Section 2 (c) of such Act is repealed.

7       (11) So much of section 3 (a) (1) of such Act as pre-  
8 cedes clause (A) is amended by striking out "during each  
9 month of such quarter" and inserting in lieu thereof "dur-  
10 ing such quarter", and by striking out "(including expendi-  
11 tures for premiums under part B of title XVIII for in-  
12 dividuals who are recipients of money payments under such  
13 plan and other insurance premiums for medical or any other  
14 type of remedial care or the cost thereof)".

15       (12) Section 3 (a) (1) (A) of such Act is amended  
16 by striking out "such month" where it first appears and  
17 inserting in lieu thereof "any month", and by striking out  
18 "(which total number" and all that follows and inserting  
19 in lieu thereof "; plus".

20       (13) Section 3 (a) (1) (B) of such Act is amended to  
21 read as follows:

22       "(B) the Federal percentage (as defined in  
23 section 1101 (a) (8) ) of the amount by which such  
24 expenditures exceed the maximum which may be  
25 counted under clause (A), not counting so much  
26 of any expenditure with respect to any month as

1 exceeds the product of \$75 multiplied by the total  
2 number of such recipients of old-age assistance for  
3 such month;”.

4 (14) Section 3 (a) (2) of such Act is amended to read  
5 as follows:

6 “(2) in the case of Puerto Rico, the Virgin Islands,  
7 and Guam, an amount equal to one-half of the total of  
8 the sums expended during such quarter as old-age assist-  
9 ance under the State plan, not counting so much of any  
10 expenditure with respect to any month as exceeds \$37.50  
11 multiplied by the total number of recipients of old-age  
12 assistance for such month;”.

13 (15) Section 3 (a) (3) of such Act is repealed.

14 (16) Section 3 (a) (4) of such Act is redesignated as  
15 section 3 (a) (3).

16 (17) Section 3 (a) (5) of such Act is redesignated as  
17 section 3 (a) (4), and as so redesignated is amended by  
18 striking out “paragraph (4)” and inserting in lieu thereof  
19 “paragraph (3)”.

20 (18) Section 3 (c) of such Act is amended by striking  
21 out “paragraph (4)” each place it appears and inserting in  
22 lieu thereof “paragraph (3)”, and by striking out “para-  
23 graph (5)” and inserting in lieu thereof “paragraph (4)”.

24 (19) The heading of section 6 of such Act is amended by  
25 striking out “Definitions” and inserting in lieu thereof  
26 “Definition”.

1       (20) The first sentence of section 6 (a) of such Act  
2 (as amended by this Act) is amended—

3           (A) by striking out “(a)”,

4           (B) by striking out “, or (if provided in or after  
5 the third month before the month in which the recipient  
6 makes application for assistance) medical care in behalf  
7 of or any type of remedial care recognized under State  
8 law in behalf of”, and

9           (C) by striking out “or care in behalf of”.

10       (21) Sections 6 (b) and 6 (c) of such Act are repealed.

11       (c) (1) So much of section 403 (a) (1) of such Act as  
12 precedes clause (A) is amended by striking out “(including  
13 expenditures for premiums under part B of title XVIII for  
14 individuals who are recipients of money payments under  
15 such plan and other insurance premiums for medical or any  
16 other type of remedial care or the cost thereof)”.

17       (2) Section 403 (a) (1) (A) of such act is amended by  
18 striking out clauses (i), (ii), and (iii) and inserting in lieu  
19 thereof the following: “(i) the number of individuals with  
20 respect to whom such aid is paid for such month plus (ii)  
21 the number of other individuals with respect to whom pay-  
22 ments described in section 406 (b) (2) are made in such  
23 month and included as expenditures for purposes of this para-  
24 graph or paragraph (2) ”.

25       (3) Section 403 (a) (2) of such Act is amended by  
26 striking out “(including expenditures for insurance premiums

1 for medical or any other type of remedial care or the cost  
2 thereof)".

3 (4) So much of section 406 (b) of such Act as precedes  
4 "to meet the needs of the relative" where it first appears is  
5 amended to read as follows:

6 "(b) The term 'aid to families with dependent children'  
7 means money payments with respect to a dependent child  
8 or dependent children, and includes (1) money pay-  
9 ments".

10 (5) Section 409 (a) of such Act is amended by striking  
11 out "(other than for medical or any other type of remedial  
12 care)".

13 (d) (1) So much of section 1003 (a) (1) as precedes  
14 clause (A) is amended by striking out "(including expendi-  
15 tures for premiums under part B of title XVIII for indi-  
16 viduals who are recipients of money payments under such  
17 plan and other insurance premiums for medical or any other  
18 type of remedial care or the cost thereof)".

19 (2) Section 1003 (a) (1) (A) of such Act is amended  
20 by striking out "(which total number" and all that follows  
21 and inserting in lieu thereof "; plus".

22 (3) Section 1003 (a) (2) of such Act is amended by  
23 striking out "(including expenditures for insurance premiums  
24 for medical or any other type of remedial care or the cost  
25 thereof)".

26 (4) Section 1006 of such Act is amended—

27 (A) by striking out " or (if provided in or after



the third month before the month in which the recipient makes application for aid) medical care in behalf of or any type of remedial care recognized under State law in behalf of,” and

(B) by striking out “or care in behalf of”.

(e) (1) So much of section 1403 (a) (1) of such Act as precedes clause (A) is amended by striking out “(including expenditures for premiums under part B of title XVIII for individuals who are recipients of money payments under such plan and other insurance premiums for medical or any other type of remedial care or the cost thereof)”.

(2) Section 1403 (a) (1) (A) of such Act is amended by striking out “(which total number” and all that follows and inserting in lieu thereof “; plus”.

(3) Section 1403 (a) (2) of such Act is amended by striking out “(including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)”.

(4) Section 1405 of such Act is amended—

(A) by striking out “, or (if provided in or after the third month before the month in which the recipient makes application for aid) medical care in behalf of, or any type of remedial care recognized under State law in behalf of,” and

(B) by striking out “or care in behalf of”.

1 (f) (1) The heading for title XVI of such Act is  
2 amended by striking out “, OR FOR SUCH AID AND  
3 **MEDICAL ASSISTANCE FOR THE AGED**”.

4 (2) The first sentence of section 1601 of such Act is  
5 amended to read as follows: “For the purpose (a) of en-  
6 abling each State, as far as practicable under the conditions  
7 in such State, to furnish financial assistance to needy indi-  
8 viduals who are 65 years of age or over, are blind, or are 18  
9 years of age or over and permanently and totally disabled,  
10 and (b) of encouraging each State, as far as practicable  
11 under the conditions in such State, to furnish rehabilitation  
12 and other services to help such individuals to attain or retain  
13 capability for self-support or self-care, there is hereby au-  
14 thorized to be appropriated for each fiscal year a sum suffi-  
15 cient to carry out the purposes of this title.”

16 (3) The second sentence of section 1601 of such Act is  
17 amended by striking out “, or for aid to the aged, blind, or  
18 disabled and medical assistance for the aged”.

19 (4) The heading for section 1602 of such Act is  
20 amended by striking out “, OR FOR SUCH AID AND MEDICAL  
21 **ASSISTANCE FOR THE AGED**”.

22 (5) So much of section 1602 (a) of such Act as pre-  
23 cedes paragraph (1) is amended by striking out “, or for  
24 aid to the aged, blind, or disabled and medical assistance for  
25 the aged,”.

26 (6) Section 1602 (a) of such Act is further amended by

1 striking out "or assistance" wherever it appears in para-  
2 graphs (4), (8), (10), (11), and (13).

3 (7) Section 1602 (a) (9) of such Act is amended by  
4 striking out "aid or assistance to or on behalf of" and insert-  
5 ing in lieu thereof "aid to".

6 (8) Section 1602 (a) of such Act is further amended  
7 by striking out paragraph (15), and by redesignating para-  
8 graphs (16) and (17) as paragraphs (15) and (16), re-  
9 spectively; and—

10 (A) the paragraph so redesignated as paragraph  
11 (15) is amended—

12 (i) by striking out "or in behalf of" in the  
13 matter preceding clause (A), and

14 (ii) by striking out "section 1603 (a) (4) (A)  
15 (i) and (ii)" in clause (C) and inserting in lieu  
16 thereof "section 1603 (a) (3) (A) (i) and (ii)";  
17 and

18 (B) the paragraph so redesignated as paragraph  
19 (16) is amended by striking out "or in behalf of".

20 (9) The last sentence of section 1602 (a) of such Act  
21 is amended by striking out "(or for aid to the aged, blind, or  
22 disabled and medical assistance for the aged)".

23 (10) Section 1602 (b) of such Act is amended—

24 (A) by striking out "or assistance",

25 (B) by striking out "(A) in the case of applicants  
26 for aid to the aged, blind, or disabled", and

1           (C) by striking out “, and (B) in the case of ap-  
2           plicants for medical assistance for the aged, excludes any  
3           individual who resides in the State”.

4           (11) The last sentence of section 1602 (b) of such Act  
5           is amended by striking out “(or for aid to the aged, blind,  
6           or disabled and medical assistance for the aged)” wherever  
7           it appears.

8           (12) Section 1602 (c) of such Act is repealed.

9           (13) So much of section 1603 (a) (1) as precedes clause  
10          (A) is amended by striking out “during each month of such  
11          quarter” and inserting in lieu thereof “during such quarter”,  
12          and by striking out “(including expenditures for premiums  
13          under part B of title XVIII for individuals who are recipi-  
14          ents of money payments under such plan and other insurance  
15          premiums for medical or any other type of remedial care or  
16          the cost thereof)”.

17          (14) Section 1603 (a) (1) (A) of such Act is amended  
18          by striking out “such month” where it first appears and  
19          inserting in lieu thereof “any month”, and by striking out  
20          “(which total number” and all that follows and inserting in  
21          lieu thereof “; plus”.

22          (15) Section 1603 (a) (1) (B) of such Act is amended  
23          to read as follows:

24                 “(B) the Federal percentage (as defined in sec-  
25                 tion 1101 (a) (8)) of the amount by which such  
26                 expenditures exceed the maximum which may be



counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds the product of \$75 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such month;”.

(16) Section 1603 (a) (2) of such Act is amended to read as follows:

“(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as aid to the aged, blind, or disabled under the State plan, not counting so much of any expenditure with respect to any month as exceeds \$37.50 multiplied by the total number of recipients of aid to the aged, blind, or disabled for such month;”.

(17) Section 1603 (a) (3) of such Act is repealed.

(18) Section 1603 (a) (4) of such Act is redesignated as section 1603 (a) (3), and as so redesignated is amended by striking out “or assistance” wherever it appears.

(19) Section 1603 (a) (5) of such Act is redesignated as section 1603 (a) (4), and as so redesignated is amended by striking out “paragraph (4)” and inserting in lieu thereof “paragraph (3)”.

(20) Section 1603 (b) (3) of such Act is amended by striking out “or assistance” wherever it appears.

(21) Section 1603 (c) of such Act is amended by strik-

1 ing out "paragraph (4)" wherever it appears and inserting  
 2 in lieu thereof "paragraph (3)", and by striking out "para-  
 3 graph (5)" and inserting in lieu thereof "paragraph (4)".

4 (22) The first sentence of section 1605 (a) of such Act  
 5 (as amended by this Act) is amended—

6 (A) by striking out "(a)",

7 (B) by striking out ", or (if provided in or after  
 8 the third month before the month in which the re-  
 9 cipient makes application for aid) medical care in be-  
 10 half of or any type of remedial care recognized under  
 11 State law in behalf of," and

12 (C) by striking out "or care in behalf of" each  
 13 place it appears.

14 (23) Section 1605 (b) of such Act is repealed.

15 (g) (1) Section 1902 (a) (20) (C) of such Act is  
 16 amended by striking out "section 3 (a) (4) (A) (i) and (ii)  
 17 or section 1603 (a) (4) (A) (i) and (ii)" and inserting in  
 18 lieu thereof "section 3 (a) (3) (A) (i) and (ii) or section  
 19 1603 (a) (3) (A) (i) and (ii)".

20 (2) Section 1903 (a) (3) (A) (i) of such Act is  
 21 amended by striking out "section 3 (a) (4)" and inserting  
 22 in lieu thereof "section 3 (a) (3)".

23 (h) Section 618 of the Revenue Act of 1951 is amended  
 24 by striking out "(other than section 3 (a) (3) thereof)" and  
 25 "(other than section 1603 (a) (3) thereof)".

26 (i) (1) Section 1108 of such Act is amended—

(A) by striking out “(other than section 3 (a) (3) thereof)” and “(other than section 1603 (a) (3) thereof)”;

(B) by striking out “\$9,800,000, of which \$625,000 may be used only for payments certified with respect to section 3 (a) (2) (B) or 1603 (a) (2) (B)” and inserting in lieu thereof “\$9,800,000”;

(C) by striking out “\$330,000, of which \$18,750 may be used only for payments certified with respect to section 3 (a) (2) (B) or 1603 (a) (2) (B)” and inserting in lieu thereof “\$330,000”; and

(D) by striking out “\$450,000, of which \$25,000 may be used only for payments certified with respect to section 3 (a) (2) (B) or 1603 (a) (2) (B)” and inserting in lieu thereof “\$450,000”.

(2) The amendments made by paragraphs (1) (B), (1) (C), and (1) (D) shall be effective in the case of Puerto Rico, the Virgin Islands, or Guam with respect to fiscal years beginning on or after the date on which its plan under title XIX of the Social Security Act is approved, or beginning on or after July 1, 1967, whichever is earlier.

(j) Section 1109 of such Act is amended by striking out “2 (a) (10) (A)” and inserting in lieu thereof “2 (a) (10)”.

(k) (1) Section 1112 of such Act is amended by striking out “for the aged”.



CMS Library  
C2-07-13  
7500 Security Blvd.  
Baltimore, MD 21244

1 (2) The heading of section 1112 of such Act is amended  
2 by striking out "FOR THE AGED".

3 (1) Section 1115 of such Act is amended by striking  
4 out "or XVI", "or 1602", and "or 1603" and inserting in  
5 lieu thereof "XVI, or XIX", "1602, or 1902", and "1603,  
6 or 1903", respectively.

CMS LIBRARY



3 8095 00005649 5

97th CONGRESS  
1st Session**H. R. 6675****A BILL**

to provide a hospital insurance program for the aged under the Social Security Act with a supplementary health benefits program and an expanded program of medical assistance, to increase benefits under the Old-Age, Survivors, and Disability Insurance System, to improve the Federal-State public assistance programs, and for other purposes.

By Mr. Mulla

Referred to the

KF 3650 .W19 1965b

U.S. Congress. House.  
Committee on Ways andSocial security amendments  
of 1965 :